

DEVELOPMENT

This Programme implements Priority Axis 2 “Development of Firms” of the Operational Programme Enterprise and Innovation 2007-2013.

The public support provided under this Programme complies with all the terms and conditions of Act No. 47/2002 Coll., on the support of small- and medium-sized enterprises, as amended; of Commission Regulation No. 70/2001 of 12 January, 2001 on the application of Articles 87 and 88 of the EC Treaty (hereinafter the “Commission Regulation No. 70/2001”), as amended¹; and it is compatible with the common market within the meaning of Article 87(3) of the EC Treaty and it is exempt from the notification requirement under Article 88(3) of the EC Treaty.

1. Objective of the Programme

The objective of the Programme is to foster performance and competitiveness (flexibility) of small- and medium-sized enterprises (hereinafter the “SMEs”) leading to their better position on the market and, subsequently, preservation of, or possibly increase in the number of job places.

The support under the Development Programme shall be channelled to regions with concentrated government support defined in the Annex to Czech Government Resolution No. 560/2006 and in Czech Government Resolution No. 829/2006, and to regions with elevated unemployment defined by a methodology for selecting such regions described in Annex 1 of the present Programme.

Fundamental provisions

- a) The Managing authority is the Ministry of Industry and Trade of the Czech Republic (hereinafter the MIT), (www.mpo.cz).
- b) The intermediate body for this Programme is the Investment and Business Development Agency – CzechInvest, organisation receiving contributions from the

¹ COMMISSION REGULATION (EC) No. 364/2004 of 25 February, 2004, amending Regulation (EC) No. 70/2001, as regards the extension of its scope to include aid for research and development.

Ministry of Industry and Trade of the Czech Republic, with its seat at Štěpánská 15, 120 00 Praha 2 (hereinafter the "CI"), (www.czechinvest.org).

- c) The Programme is implemented based on calls, which shall specify detailed Programme criteria.

2. Supported Activities

2.1. Supported activities shall include:

Acquisition of new technological facilities featuring better technical and utility parameters, or implementation of projects enhancing the effectiveness of processes.

3. Beneficiary

SMEs as per Annex I to Regulation (EC) No. 70/2001 containing the definition of an SME.²

4. Programme Criteria

4.1. Formal eligibility criteria of a project:

- a) The project shall be implemented in regions with concentrated government support defined in the Annex to Czech Government Resolution No. 560/2006 and in Czech Government Resolution No. 829/2006, and in regions with elevated unemployment specified in the respective call. The subsidy applicant shall demonstrably prove his/her title or other rights to buildings and land plots where the project shall be implemented. The method and deadline required to prove such ownership or other rights shall be specified by the Managing authority in the respective call.
- b) The project shall contain all mandatory elements specified in the call for submission.
- c) The project shall not violate the EU horizontal policies and their basic principles, particularly:
- Equal opportunities of men and women,
 - Sustainable development.

² Pursuant to the Commission Recommendation 2003/361/EC of 6 May, 2003 regarding the definition of micro-, small- and medium-sized enterprises, OJ L 124, 20 May, 2003, p. 36.

4.2. Other criteria

- a) The subsidy shall be provided to the beneficiary based on a Decision to Provide Subsidy issued by the Managing authority (hereinafter the “Decision”), containing also the binding Terms and Conditions of Subsidy Provision (hereinafter the “Terms and Conditions”).
- b) The beneficiary shall keep separate records and documents on eligible project expenditure and on the use of the subsidy intended for the funding of the eligible expenditure as stipulated in the Terms and Conditions of the Decision to Provide Subsidy, and keep it for a period of 10 years following the date of closure of the project, and at the same time for a period of at least three years following the closure of the OP Enterprise and Innovation (anticipated in 2020) in compliance with Article 90 of Council Regulation (EC) No. 1083/2006. All beneficiaries shall be informed of the closing date of OP Enterprise and Innovation.
- c) Tangible and intangible fixed assets acquired by the beneficiary fully or partially from the provided support shall be owned by the beneficiary for three years after the closure of the project.
- d) The beneficiary may not be an entrepreneur, if, as at the date of submission of the application, s/he is the beneficiary to rescue and restructure a firm in difficulty as specified in the Community guidelines on state aid for rescuing and restructuring firms in difficulty, Communication No. 2004/C 244/02 from the Commission; this shall not apply to small entrepreneurs.
- e) The subsidy is paid out to the beneficiary retroactively upon closure of the project, or a particular project phase, provided that the Terms and Conditions are observed.
- f) Other obligations of beneficiaries are specified in the Terms and Conditions.

4.3. Eligible expenditure

4.3.1. Eligible expenditure shall comply with the following criteria:

- Shall be expended in accordance with the objectives of the Programme and be immediately related to the project implementation,
- Shall be expended no earlier than on the eligibility date of a project,³

³ The project eligibility date shall be the date when the provider or the relevant agency confirms in writing to the beneficiary that it complies with the eligibility criteria of the given programme.

- Shall be demonstrably paid by the beneficiary before they are reimbursed from the Structural Funds, unless stipulated otherwise,
- Shall be supported by conclusive evidence, paid to suppliers, and the property may not be acquired by means of capitalisation.

4.3.2. The eligible expenditure of a project shall include:

- Tangible fixed assets – purchase of machinery and equipment, including the control software, which have not been subject to depreciation.
- Construction costs directly related to the project implementation (no more than 20% of the total eligible expenditure).
- Intangible fixed assets – cost of acquiring patents, operational or patent licences for know-how, and non-patented know-how, control software for acquired machinery and equipment, not exceeding the usual price as determined by an expert opinion (the expert opinion may not be older than six months as at the date of the asset acquisition).
- Costs of project publicity.

The eligible expenditure of a project shall be further specified in particular calls.

4.3.3. The eligible expenditure of a project shall not include:

- VAT, provided that the beneficiary is a VAT payer,
- Costs paid prior to the eligibility date of the project,
- Loan and credit instalments,
- Sanctions and penalties,
- Costs of guarantees, insurance, interests, banking fees, exchange rate losses, customs and administration fees.

4.4. Sectoral classification

The subsidised activities shall be channelled to the following specified areas:

- Manufacture and trade
- Cross-cutting sectors (e.g. biotechnology, nanotechnology, optoelectronics, etc.)

Projects which are aimed at the manufacture, processing and marketing of the products specified in Annex 2 of this Programme shall not be supported.⁴ Manufacture of coke oven products under NACE CA 10, D 23.1⁵ shall not be supported either.

⁴ Annex I to the EC Treaty

5. Form and Amount of the Support

- a) The support is provided in the form of a subsidy.
- b) The subsidy is purpose-built to cover eligible expenditure arising from and in relation to the implementation of a project. The subsidy is granted in the amount of CZK 1-20M, in maximum up to the proportion of eligible expenditure as limited by the Regional Map of State Aid Intensity.

A subsidy covered by the block exemption shall be governed by the Regional Map of State Aid Intensity for the Czech Republic for years 2007-2013⁶ and it shall not exceed:

NUTS II region	Small-sized enterprise	Medium-sized enterprise
Central Moravia, Northwest, Central Bohemia, Moravia-Silesia Northeast, Southeast	60%	50%
Southwest 1 January, 2007- 31 December, 2010	56%	46%
Southwest 1 January, 2011- 31 December, 2013	50%	40%

6. Project Selection

6.1. Selection criteria

Selection criteria including evaluation methodology shall be stipulated by the call.

⁵ The definition is based on Council Regulation (EC) No. 1407/2002 on state aid to the coal industry.

⁶ State aid N 510/06.

6.2. Project selection method

Project selection and evaluation shall be performed based on the criteria specified by the Managing authority. The OPEI Managing Authority (MIT) shall decide on the provision of a subsidy based on Government Resolution No. 175/2006. Further details shall be specified in the call.

7. Participation in Other Support Programmes

The eligible expenditure of a project supported under this Programme shall not receive any other state aid, i.e. the state aid as defined under Article 87 of the EC Treaty.

8. Duration of the Programme

The Programme shall be implemented in the period 2007-2013. It shall be implemented based on calls which shall be published at the website of the Managing authority (MIT) and of CzechInvest. The Managing authority reserves the right to suspend the Programme or terminate it prematurely (e.g. due to exhaustion of the allocated funds).

9. Details of an Application for Support and its Submission

The method of submission of an application and its essential elements shall be stipulated by the call.

10. Sanctions for Violation of Programme Criteria

Sanctions for violation of the Programme criteria are stipulated in the Terms and Conditions of Subsidy Provision.

11. Other Provisions

There is no legal entitlement to the subsidy.

Annex 1 of the Programme

Methodology of selecting regions with elevated unemployment for the Development Programme

For the programming period 2007-2013, the Development Programme shall be announced under Priority Axis 2: “Development of Firms”, or more specifically under intervention area 2.2: “Support of new production technologies, ICT and selected strategic services”, of the Operational Programme Enterprise and Innovation. The specified intervention area emphasises, among other things, the contribution to reducing regional disparities through support to projects with growth potential in structurally affected regions and in regions with elevated unemployment. Observing the intervention areas, the Development Programme shall only support projects implemented in the selected regions. This methodology therefore specifies the procedure to define eligibility of individual regions in respective calls to submit applications under the Development Programme.

Definition of supported regions

Projects under the Programme shall be implemented in:

- a) Regions with concentrated government support defined in the Annex to Czech Government Resolution No. 560/2006 and in Czech Government Resolution No. 829/2006,
- b) Regions with elevated unemployment rate defined in compliance with the present methodology.

The decisive element for the assessment shall be the place of project implementation, not the seat of the beneficiary.

Regions with elevated unemployment rate are defined in addition to regions with concentrated government support, defined by the above Czech Government Resolutions. Regions defined by the Government Resolutions shall therefore be supported even if not meeting the definition of regions with elevated unemployment rate.

Method of defining regions with elevated unemployment rate

A region with elevated unemployment rate is defined as a district where the unemployment rate within the reference period exceeds the reference unemployment rate in the Czech

Republic. The reference unemployment rate shall be, for the purpose of this methodology, the average unemployment rate for the respective reference period multiplied by the pre-defined factor. The factor shall be re-defined for each call by the Ministry of Industry and Trade. The unemployment rate shall be expressed in percent rounded to hundredths according to arithmetical rules.

The reference unemployment rate shall be deemed exceeded if the unemployment rate reported for the respective region exceeds the reference value of unemployment rate by at least 0.01%.

The benchmark for defining the average unemployment rate in the Czech Republic, the reference unemployment rate, as well as the actual unemployment rate in particular regions, shall be the official unemployment data as reported by the Ministry of Labour and Social Affairs for the preceding two half years in the following manner:

Call date	Reference period for defining the unemployment rate
First quarter of year "n"	The first half of the "n-1" year and the second half of the "n-2" year
Second quarter of year "n"	The second half of the "n-1" year and the first half of the "n-1" year
Third quarter of year "n"	The second half of the "n-1" year and the first half of the "n-1" year
Fourth quarter of year "n"	The first half of the "n" year and the second half of the "n-1" year

The date of the call to submit applications shall mean the date of the announcement of the call in the prescribed manner, not the date on which first applications may be submitted in the respective round of the call.

List of supported regions

The list of supported regions shall make part of the call to submit applications for support, and the text of the call shall refer to the list. The list shall only apply to the respective call.

Operational Programme Enterprise and Innovation

The list shall be updated in compliance with this methodology for each particular call to submit applications for support from the Development Programme.

Annex 2 of the Programme

Annex I to the EC Treaty – manufacturing, processing and marketing of the products specified in Annex I to the EC Treaty are excluded from the Programme

Number in nomenclature	Name of goods
Chapter 1	Live animals
Chapter 2	Meat and edible offal
Chapter 3	Fish, crustaceans and molluscs
Chapter 4	Milk and dairy products; birds' eggs; natural honey
Chapter 5	
05.04	Animal guts, bladders and stomachs (other than fish), whole and parts
05.15	Animal products not elsewhere specified or included; dead animals of Chapter 1 or Chapter 3, unfit for human consumption
Chapter 6	Cut flowers and flower products
Chapter 7	Vegetables, edible plants, roots and tubers
Chapter 8	Edible fruit; skins of citrus and melon
Chapter 9	Coffee, tea, spices, other than maté (number 09.03)
Chapter 10	Cereals
Chapter 11	Mill products: malt, starch, gluten, inulin
Chapter 12	Oil seeds and oleaginous fruits; various seeds and fruits, industrial and medicinal plants; straw and fodder crops
Chapter 13	
ex 13.03	Pectin
Chapter 15	
15.01	Lard and other rendered pig fat; rendered poultry fat
15.02	Unrendered fats of bovine cattle, sheep or goats; tallow (including "premier jus") produced from those fats
15.03	Lard stearin, oleostearin and tallow stearin; lard oil, oleo-oil and tallow oil, not emulsified or mixed or prepared in any way
15.04	Fats and oils of fish and of sea mammals, whether or not refined
15.07	Fixed vegetable oils, fluid or solid, crude, refined or purified
15.12	Animal or vegetable fats and oils, hydrogenated, whether or not

refined, but not further prepared

15.13 Margarine, artificial pig fat and other processed fats

15.17 Waste after processing animal fats or animal or plant waxes

Chapter 16 Prepared meat, fish, crustaceans or molluscs

Chapter 17

17.01 Beet sugar and cane sugar, solid

17.02 Other sugars; sugar syrups; artificial honey (also mixed with natural honey); caramel

17.03 Molasses, also decolourized

17.05 Aromatized or colourized sugars, syrups and molasses (including vanilla sugar or vanillin), excluding fruit juices with sugar additives in any ratio

Chapter 18

18.01 Cocoa beans, whole or broken, raw or roasted

18.02 Cocoa shells, husks and other cocoa waste

Chapter 20 Preparations from vegetables, edible plants, fruit or other parts of plants

Chapter 22

22.04 Grape must in fermentation, or with fermentation arrested otherwise than by the addition of alcohol

22.05 Wine of fresh grapes; grape must with fermentation arrested by the addition of alcohol

22.07 Other fermented drinks (apple, pear, mead)

ex 22.08 Ethyl alcohol denatured or undenatured, of any strength, made from
ex 22.09 agricultural products listed in Annex I to the EC Treaty, excluding spirits, liqueurs and other spirituous beverages and compound alcoholic preparations (known as "concentrated extracts") for the manufacture of alcoholic beverages

22.10 Table vinegar and its substitutes

Chapter 23 Rests and wastes in food industry; processed fodder

Chapter 24

24.01 Unmanufactured tobacco, tobacco refuse

Chapter 45

45.01 Unworked natural cork, cork refuse; granulated or ground

Chapter 54

54.01 Flax, raw or processed but not spun; flax tow and waste (including pulled or garneted rags or ropes)

Chapter 57

57.01 True hemp (*Cannabis sativa*) raw or processed but not spun; tow and waste of true hemp (including pulled or garneted rags or ropes)

(Note: concerns partially NACE D 15, 17, 24 (bio-ethanol), G 51.11, 51.17, 51.2, 51.3, 52.1, 52.2, 52.48 –wholesale, retail)