

SELECTION CRITERIA POTENTIAL PROGRAMME 1st Call

BASIC INFORMATION

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| Registration number: | |
| Applicant: | |
| Project: | |
| Place of project implementation (NUTS II): | |
| Requested amount (subsidy): | CZK _____ |

Grading methodology

The selection criteria are divided into four basic parts:

A – Binary (elimination) criteria; B – Necessity and relevance of the project; C – The applicant's preparedness for implementation of the project; D – Contribution of the project to the applicant's further development and competitiveness.

Each part is further subdivided.

If a project submitted by an applicant receives at least one negative evaluation in part A, the project will be excluded from further evaluation as rejected.

Parts B, C and D are based on a points system – the awarded number of points according to the assessment of an external evaluator (EE) can be in the stated points range. Each part contains space for commentary on the points evaluation, which is an inseparable part of the project assessment performed by the EE. Space for commentary can be expanded as needed.

The total number of points from Parts B through D is the total point evaluation of the project. The project can receive a maximum of 100 points.

The minimum number of points needed for fulfilment of the programme's criteria and approval of the project is **50** points.

Non-fulfilment of the programme's criteria constitutes a reason for rejection of the Subsidy Application.

| A Elimination criteria – to be completed by the mediating entity (CzechInvest) | YES/NO | Source of information |
|---|--------|---|
| <p>1. The content of the project, its aim and eligible costs are in accordance with the main parameters of the programme and call. The outputs of the project will take effect in the sectors defined in the programme (NACE 17–37, 72 and 74.3)</p> <p><i>Commentary:</i> The subject of evaluation is the submitted project's accordance with the programme's basic parameters, i.e. particularly the fulfilment of the programme's goals – establishment or expansion of the applicant's research base. Mere investment in the acquisition of land or buildings (including technical appreciation) is not considered as an expansion of research and innovation capacity. The evaluator shall also assess whether sector specification of project's outputs is not in conflict with programme requirements.</p> | | Registration Application |
| <p>2. The amount of investment in long-term tangible and intangible assets used exclusively for the purposes of ensuring the activities of the project totals a minimum of CZK 5 million for SMEs, or CZK 10 million in the case of large enterprises.</p> <p><i>Commentary:</i> The proposed structure of eligible costs corresponds to the requirements stipulated in the call.</p> | | Registration Application |
| <p>3. The applicant's financial health: the mediating entity (CzechInvest) shall assess applicant's financial health on the basis of a rating; in the case of an evaluation worse than C+, the project shall be rejected. Evaluation of financial feasibility of the project</p> <p><i>Commentary:</i> Part of this criterion is comprised of an assessment of the project's feasibility from the perspective of the applicant's financial prerequisites. If, as of the date of submission of the Registration Application, the applicant has been engaged in business for a period of less than two closed accounting periods, the rating will be processed based on two years' financial data of the enterprise(s) exercising a (combined) controlling interest in the applicant. In the case of foreign entities, the applicant shall submit a rating for the foreign entity/entities exercising a (combined) controlling interest in the applicant. Such rating shall be performed by an external rating agency, whereas this rating must be performed on the evaluation scale according to Moody's or Standard & Poor's. In the case that the rating is performed for several enterprises having a combined controlling interest in the applicant, each of these enterprises must receive the minimum required rating evaluation. Evaluation of financial feasibility of the project is made by mediating entity (CzechInvest) The evaluation is directed to the project and its feasibility in terms of reliability of financial resources. Costs of the project have to be based on realistic basis (operational cash flow analysis is made)</p> | | Data from financial statements provided upon submission of the Registration Application, Data from financial feasibility of the project form provided upon submission of Full Application |
| <p>4. The project has a positive or neutral impact on the environment and on human health.</p> <p><i>Commentary:</i> It must be clear from the project proposal that the project will have a positive or at least neutral impact on the environment and human health.</p> | | Registration Application |
| <p>5. The project respects the principles of equal opportunities.</p> <p><i>Commentary:</i> It must be clear from the project proposal that the project will offer opportunities to all groups of citizens who fulfil the required qualification prerequisites.</p> | | Registration Application |
| <p>In the case of rejection of the project at this point, the mediating entity shall provide proper rationale for such rejection. In the case of rejection due to non-fulfilment of Criterion 3, this shall be based upon the expert assessment of a financial analyst of the mediating entity (CzechInvest).</p> | | |

| B Necessity and relevance of the project – to be completed by the EE | | Number of points | Source of information |
|---|--|-------------------------|------------------------------|
| 1. | <p>Business sector, according to the technological advancement of products, in which the applicant operates (<i>max. 4 points</i>)</p> <p style="text-align: right;">high-tech 4 points medium high-tech 2 points</p> <p><i>Commentary: the evaluator shall assess whether the business sector falls within one of the preferred groups (see appendix for definition of sectors). The business sector is understood to be the business sector in which the applicant operates if the applicant uses the outputs (results) of the project in his/her production, or the business sector of an entity in whose production the applicant's outputs (results) of the project are used.</i></p> | /4 | Business plan (BP) |
| 2. | <p>The project will be implemented in a region with concentrated state aid.</p> <p style="text-align: right;">yes 4 points no 0 points</p> <p><i>Commentary: the aim of favouring disadvantaged regions is to stimulate, via the programme, economic development in those regions where this is most desirable (a list of these regions is given in the appendix to this document).</i></p> | /4 | BP |
| 3. | <p>Anticipated degree of innovation which will be ensured by the new/expanded capacity) (<i>a maximum of four points can be awarded for this criterion</i>).</p> <ul style="list-style-type: none"> - The investment ensures advancement to a higher sector category (<i>sectors according to the technological advancement of products – e.g. from low-tech to medium high-tech</i>). <p style="text-align: right;">4 points</p> <ul style="list-style-type: none"> - The investment is oriented toward growth (<i>e.g. expansion of production, new products of the same product group, etc.</i>). <p style="text-align: right;">2 points</p> <ul style="list-style-type: none"> - The investment ensures the maintaining of the existing situation. <p style="text-align: right;">0 points</p> <p><i>Commentary: even though the programme should provide aid to the best projects from all sectors, this criterion reflects the provider's interest in supporting particularly more technologically demanding sectors which promise greater and longer-term benefits (see the appendix for more information).</i></p> | /4 | BP |
| 4. | <p>The project will be focused on an area with a demonstrably positive impact on the environment or will be implemented with the use of a brownfield-type building.</p> <p style="text-align: right;">max. 6 points</p> <p><i>Commentary: increased aid for projects with a potentially positive impact on the environment (environmental technologies and products for them) is in accordance with European and national priorities. The liquidation of brownfields has an analogous effect.</i></p> | /6 | BP |
| 5. | <p>Description of the current position and form of the company. Specific inquiries about the applicant's company shall be clarified in the business plan. If this concerns a company without a prior history, the criterion will be evaluated for the entity/entities exercising a controlling interest in the applicant. (<i>A maximum of 14 points can be awarded for the partial criteria</i>):</p> | /14 | BP |

| | | | |
|-----|--|----|----|
| 5a. | <p>The company formulates a business strategy and demonstrates knowledge of the market; is conducting market research and is ascertaining the needs of customers.</p> <p style="text-align: right;">max. 3 points</p> <p><i>Commentary: the applicant documents that s/he is a company having incorporated the basic principles of business and the corresponding mechanisms. It must be clear that the submitted project logically relates to the hitherto development of the company and to the planned development of the applicant. The facts presented in the business plan should provide clear (though on a general level) information about the applicant's business strategy, e.g. by which method the firm trades (whether s/he has its own sales network or conducts trade through representatives, and whether s/he delivers exclusively to one customer, etc.), his/her impetus for innovating products and processes (e.g. from his/her own dealers, through contact with customers, by conducting market research or ascertaining the needs of clients, etc.). It must be clear that the submitted project has a basis in these strategies.</i></p> <p><i>In the case of a project with a subsidy amount over CZK 20 million, the applicant shall describe in greater detail not only the overall business strategy, but also the principles of other significant company activities (trade, innovation of products and processes, investment development, etc.).</i></p> | /3 | BP |
| 5b. | <p>The company innovates its products and processes.</p> <p style="text-align: right;">max. 3 points</p> <p><i>Commentary: turnover from the sale of innovated products or, as the case may be, portion of turnover from the sale of innovated products in relation to the overall turnover for the previous three years shall be evaluated. Specific examples of innovations are part of the evaluation.</i></p> | /3 | BP |
| 5c. | <p>The company implemented the innovation of a product or process in the past (a maximum of four points can be awarded for this criterion):</p> <ul style="list-style-type: none"> - mainly through the company's own research solutions (or in cooperation with other research laboratories and centres) 4 points - through a transfer of technologies (purchase of a research solution or purchase of licenses) 2 points - none 0 points <p><i>Commentary: with respect to the nature of the programme, the applicant's existing relation to the stimulation of new solutions is a significant factor.</i></p> | /4 | BP |
| 5d. | <p>The company received aid for R&D or innovation from national or European resources in the past.</p> <p style="text-align: right;">2 points</p> <p><i>Commentary: in accordance with the preceding criterion, the ability to obtain state aid for R&D signifies the applicant's definite preparedness for successful conduct of the project.</i></p> | /2 | BP |
| 5e. | <p>In the past the company deducted costs expended on research and development projects from its income-tax base.</p> <p style="text-align: right;">2 points</p> <p><i>Commentary: the meaning and rationale of this criterion are similar to those of the preceding criterion; an affirmative answer demonstrates the applicant's good orientation within the possibilities of utilising</i></p> | /2 | BP |

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| | <i>existing aid for research and development.</i> | | |
| 6. | <p>How the project reacts to the current and prospective needs of the company from the perspective of its position on the market – the evaluator shall assess the necessity and relevance of the project and the company's maturity collectively. Medium-term trends in the company's development are also included in the evaluation.</p> <p style="text-align: right;">max. 8 points</p> <p><i>Commentary: in this criterion, the evaluator shall assess the cumulative impression based on the extent to which the project is necessary for the company and how the company is prepared for a similar step from the perspective of its business strategy. The evaluation includes the above-mentioned criteria and their synergistic accordance, as well as previously specified parameters such as the dynamic development of the company (year-to-year growth of research and development expenditures).</i></p> <p><i>In the case of projects with a subsidy amount over CZK 20 million, the applicant shall also present activities in the area of further education and training of employees, activities in the area of marketing and organisational innovations, and others. The fact that in the past the applicant has already invested in non-technical innovations (performed reengineering, introduced a quality-management system, etc.) is an important indicator of the level of the company's business practices. The evaluator will assess the type and quality of the measures taken. If this concerns a company without a prior history, this criterion will be evaluated for the entity/entities that exercise a controlling interest in the applicant.</i></p> | /8 | |
| B. | Total points | /40 | |

General commentary for Part B

Here the evaluator provides the detailed rationale of his/her assessment of the Group B criteria. Particular attention will be dedicated to cases when an extremely high or low number of points is awarded for certain criteria.

| C The applicant's preparedness for implementation of the project – completed by the EE | Number of points | Source of information |
|--|------------------|-----------------------|
| <p>1. The project is feasible with regard to the applicant's experience with investment projects of similar scope and the financing thereof. max. 4 points</p> <p><i>Commentary: the evaluator shall assess whether, based on his/her prior history, the applicant has the technical basis, competence and experienced employees of all professions necessary for implementation of the investment in the required scope.</i></p> <p><i>In the case of projects with eligible costs over the amount of CZK 20 million, the applicant shall also demonstrate whether this involves the use of other sources of financing, e.g. whether the applicant is requesting aid in the programme supporting the horizontal mobility of workers in OP Education and Competitiveness or in the Real Estate Programme in OP Enterprise and Innovation.</i></p> | /4 | BP |
| <p>2. The suitability of the proposed investment goods, structural modifications and other eligible costs correspond to the applicant's needs and immediately relate to the implementation of the project. max. 7 points</p> <p><i>Commentary: the evaluator shall assess the applicant's plan and compare it with specific undertakings (construction work, purchase of investment goods, costs for their installation, etc.) and shall assess whether the proposed costs of individual items generally correspond to the scope of the project. In the case that the evaluator has reasonable doubts about the necessity of the given investment goods for implementation of the project, this item will be entered into the table "other assets, not corresponding to the project". The evaluator shall also assess whether the delimitation of combined utilization of some acquired assets for the benefit of the project and not to the project is in order (e.g. in the case of testing equipment, etc.).</i></p> <p><i>Other assets not corresponding to the project:</i></p> | /7 | BP |
| <p>3. The project is feasible in terms of qualified human resources; <i>a maximum of eight points can be awarded for this criterion.</i></p> <p>- the company has ensured qualified workers from its own sources (employees are transferred or concentrated from other workplaces). max. 4 points</p> <p>- the company will acquire other qualified workers through recruitment max. 6 points</p> <p>- the company will acquire other qualified workers through recruitment in the R&D sector or through cooperation with this sector (e.g. within the scope of horizontal mobility) max. 8 points</p> <p><i>Commentary: the applicant shall demonstrate by which method s/he plans to ensure the operation of newly built or expanded research and innovation capacities with qualified workers; the evaluator shall assess the veracity and earnestness of the applicant's statement with consideration of seriousness of this criterion.</i></p> | /8 | BP |

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| 4. | <p>Technical feasibility of the project implementation, the relationship of individual phases and their feasibility during the course of the project and subsequent operation.</p> <p style="text-align: right;">max. 5 points</p> <p><i>Commentary: it must be evident from the text of the business plan that all technical aspects of the project and their linkages, the feasibility of individual phases of the project and their implementation within the planned deadlines and assurance of the long-term operability of the newly established research and innovation capacities have been taken into account.</i></p> | /5 | BP |
| 5. | <p>The applicant has an experienced, contractually secured partner which will help the applicant to implement the project, or will positively influence and utilise the newly established R&D capacities in the long-term.</p> <p style="text-align: right;">max. 3 points</p> <p><i>Commentary: the evaluator shall assess the partner's level, his/her historical involvement in the company's activities, the method of formulating common research goals, the level of their current and future contractual assurance and impact on the overall long-term sustainability of R&D capacities or their intensification in relation to the overall concept of the innovation process in the company and transfer of R&D results into production with utilisation by means of the contractual partner.</i></p> | /3 | BP |
| 6. | <p>Description of the operation of the existing organisational integration or a detailed description of the operation of the new (renovated or reorganised) development centre.</p> <p style="text-align: right;">max. 5 points</p> <p><i>Commentary: the evaluator shall assess to what extent the organisational integration of the company's development centre (department) corresponds to the requirements of smooth cooperation with other sections (e.g. production, trade, marketing, quality management) and the prominence given to such centre (department) in the company's hierarchy. If this concerns a company without a prior history, this criterion will be assessed for the entity/entities that exercise a controlling interest in the applicant.</i></p> | /5 | |
| 7. | <p>Overall assessment of the applicant's preparedness for implementation of the project.</p> <p style="text-align: right;">max. 8 points</p> <p><i>Commentary: the evaluator shall generally assess the applicant's financial, personnel and technical preparedness for implementation and future assurance of the operation of the projects investment. Furthermore, the evaluator shall assess all aspects and the relationship thereof, the applicant's experience, and the earnestness and veracity of the assurances given by the applicant.</i></p> <p><i>In the case of projects with a subsidy amount over CZK 20 million, the applicant shall also identify the critical stages of implementation and state the method by which critical situations will be prevented. The evaluator shall assess to what extent the identification of the critical stages of the project and the proposed methods of preventing crises correspond to reality.</i></p> | /8 | |
| C. | Total points | /40 | |

General commentary for Part C

Here the evaluator provides the detailed rationale of its assessment of the Group C criteria. Particular attention will be dedicated to cases when an extremely high or low number of points is awarded for certain criteria.

| D Benefit of the project for the applicant's further development and competitiveness – completed by the EE | Number of points | Source of information |
|--|-------------------------|------------------------------|
| <p>1. The applicant has a clear conception of the qualitative change of the technical parameters of the realised R&D results in relation to their implementation and applicability on the market.</p> <p style="text-align: right;">max. 5 points</p> <p><i>Commentary: the evaluator shall assess how the applicant plans to involve the established research and innovation capacities in the business processes of the company as a whole in order to improve its market position, etc., and shall assess the extent to which the applicant's conceptions are realistic and plausible, taking into account the objectivity of the applicant's analysis of the market for such qualitatively changed parameters of products.</i></p> | /5 | BP |
| <p>2. The applicant declares the project's economic benefit for the company and quantifies and logically substantiates such benefit.</p> <p style="text-align: right;">max. 5 points</p> <p><i>Commentary: the evaluator shall assess the significance of the investment's economic impacts on the firm, e.g. in the area of more efficient use of R&D expenditures, opening up the possibility of entering into a completely new area of business on a higher technological level, or in the case of a foreign concern, the significance of establishing a research centre using domestic R&D capacities, increased added value, or improvement of a Czech factory's position (in the case of multinational investors).</i></p> | /5 | BP |
| <p>3. Due to the establishment of new research capacities and improved technological level, the company's workplace will be involved in external cooperation in the area of R&D and innovation (<i>a maximum of five points can be awarded for this criterion</i>):</p> <ul style="list-style-type: none"> - with research entities 5 points - with other entities 3 points - no cooperation 0 points <p><i>Commentary: newly established/expanded research and innovation capacities should create conditions for cooperation with various entities on various levels. The evaluator shall assess the significance of the expected cooperation for the applicant's company.</i></p> <p><i>In the case of projects with a subsidy amount over CZK 20 million, the applicant shall also state the extent to which the submitted project is linked to its other activities (projects) and activities of cooperating institutions and companies (cooperation with other companies and R&D institutes, possibility of a synergistic effect). The applicant shall also state the possibilities of cooperation involving the newly established research and innovation capacities at the regional, national and European levels and its other activities (e.g. possible involvement of the workplace in regional cluster activities, acquiring other projects with state aid).</i></p> | /5 | BP |
| <p>4. Evaluator's general assessment of the project's future benefit.</p> <p style="text-align: right;">max. 5 points</p> <p><i>Commentary: the evaluator shall generally assess applicant's conception of the impact that implementation of the project will have on the company's future development including potential economic and non-economic benefits and the veracity of the applicant's statement thereof (also with regard to the creation of the knowledge economy values, new systems of quality management, the introduction of new standards in production, involvement in initiatives ensuring better use of the company's resources and support for the protection of intellectual property, and intensification of the innovation cycle).</i></p> | /5 | |
| D Total points | /20 | |

General commentary for Part D

Here the evaluator provides the detailed rationale of its assessment of the Group D criteria. Particular attention will be dedicated to cases when an extremely high or low number of points is awarded for certain criteria.

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| B. Necessity and relevance of the project | / 40 |
| C. The applicant's preparedness for project implementation | / 40 |
| D. Benefit of the project for the applicant's further development and competitiveness | / 20 |

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|---|-------------|
| Overall evaluation of the project | /100 |
| The evaluator presents its overall evaluation of the submitted project in the form of: <p style="text-align: center;"><i>recommendation to accept the project – recommendation to reject the project – recommendation with reservation (stated below)</i></p> Reservation: | |

General commentary on the project

Here the evaluator shall state the most important attributes of the assessment or provide additional relevant observations and opinions for which there was no basis in the evaluation table. The evaluator shall render an abstract of the assessment, the bases of which are the general assessments of the individual parts. The commentary must contain at least 200 words.

Location:

Signature:

Date:

Appendix to Criteria B1, B3

Preferred sectors of industrial production

According to the Czech Statistical Office's comprehensive publication *Science and Technology Indicators in the Czech Republic* for the period 1995-2002, Chapter 15 – Technology- and Knowledge-based Sectors of the Manufacturing Industry and Services, the area of highly technologically demanding production is divided into two groups:

1. Group of high-tech manufacturing sectors including:
 - 244 Manufacture of drugs, chemicals substances, botanical preparations and other products for healthcare purposes
 - 30 Manufacture of office machinery and computers
 - 32 Manufacture of radio, television and communication equipment and apparatus
 - 33 Manufacture of medical, precision, optical and timekeeping instruments
 - 353 Manufacture and repair of aircraft and spacecraft
2. Group of medium high-tech manufacturing sectors:
 - 24-244 Manufacture of chemical substances, preparations, drugs and chemical fibres (outside 244)
 - 29 Manufacture and repair of machinery and equipment n.e.c.
 - 31 Manufacture of electrical machinery and apparatus n.e.c.
 - 34 Manufacture of motor vehicles (except motorcycles); manufacture of trailers and semi-trailers
 - 352, 354, 355 Manufacture of other transport equipment

Available at:

http://www.czso.cz/csu/2004edicniplan.nsf/publ/9610-04-za_obdobi_1995_2002

Appendix to Criterion B2

Regions with concentrated state aid (Preferred in the evaluation)

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| Regions with concentrated state aid for the period 2007–2013 (pursuant to Decree No. 560/2006) | Structurally disadvantaged regions – districts | Most, Karviná, Chomutov, Teplice, Ostrava-city, Frýdek-Místek, Nový Jičín, Sokolov |
| | Economically weak regions – districts | Hodonín, Znojmo, Třebíč, Bruntál, Opava, Jeseník, Přerov, Šumperk, Svitavy, Louny, former military districts Ralsko and Mladá |
| | Regions with highly above-average unemployment | <u>Districts</u> Děčín, Ústí nad Labem, Litoměřice <u>Municipalities</u> Ostrov, Frýdlant, Králíky, Bystřice nad Pernštejnem, Bučovice, Mikulov, Šternberk, Uničov, Kroměříž, Rožnov pod Radhoštěm, Valašské Klobouky |
| Temporarily supported economically weak regions until 2008 (pursuant to Decree No. 829/2006) | | Český Krumlov, Tachov, Rakovník, Vyškov |

Available at:

<http://www.mmr.cz/index.php?show=001024004002&lang=1>