

**Ministry of Industry and Trade
of the Czech Republic
Structural Funds Division – Governing Body of OPEI**



**CALL FOR SUBMISSION OF PROJECTS
WITHIN OPEI
Prosperity**

Identifikace výzvy	Prosperity 2
Prioritní osa	5 – Environment for Business and Innovation
Číslo výzvy	II.
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System sběru žádostí	Continual
Plánovaná alokace pro tuto výzvu	4,00 mld. CZK

The Prosperity Programme is designed in two parts – Part I and Part II.

Part I is focused on support for universities, public research institutes, territorial administrative units and other legal entities in the meaning of Section 18(2)(a), (b), (c) and (d) of Act No. 40/1964 Coll., the Civil Code, and non-profit organisations (see Chapter 4 – Aid Recipients).

Part II is focused on support for business entities (see Chapter 18 – Aid Recipients).

English version is only for basic information about programme. Valid and current version is only Czech language!

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PART I

Basic provision

- a) The Programme Administrator (aid provider) is the Ministry of Industry and Trade of the Czech Republic (hereinafter referred to as the “MIT”), (www.mpo.cz).
- b) The mediating entity for this programme is CzechInvest, the Investment and Business Development Agency, an organisation of the MIT, with its registered office at Štěpánská 15, 120 00 Prague 2 (hereinafter referred to as **CzechInvest**), (www.czechinvest.org).

State aid provided via this Call of the Prosperity Programme is in accordance with Commission Regulation (EC) No. 1998/2006 of 15 December 2006 on the application of Articles 87 and 88 of the EC Treaty to de minimis aid¹, or the Czech Temporary Framework² (hereinafter referred to as the “Temporary Framework”) and can therefore be compatible with the common market within the meaning of Article 87(3) of the EC Treaty and is exempted from the notification obligation under Article 88(3) of the EC Treaty.

1. Objective of the Call

The aim of the Call is to support – through subsidies – establishing and further development of infrastructure entities for industrial research, technological development and innovations mainly focused on implementing new technologies and competitive products and services. In association with the support of innovation infrastructure for newly established innovation companies, the Programme further aims at supporting the establishment and further development of business incubators and their activities.

This aid regime is thus focused on projects involving the establishment and further development of science and technology parks, business incubators and technology-

¹ Official Journal of the EU, L 379, 28 December 2006, pgs. 5-10

² Official Journal of the EU, C 16, 22 January 2009, pgs. 1-9. On 7 May 2009 the European Commission approved the “Czech Temporary Framework” for the Czech Republic – State aid N 236/2009 – Czech Republic.

transfer centres that are implemented by public entities (universities, public research organisations, territorial administrative units) or legal entities owned by such public entities. Aid recipients can utilise a project-related subsidy for eligible investment costs (pursuant to Annex No. 2 of this Call) and for eligible operating costs (pursuant to Commission Regulation No. 1998/2006).

2. **Basic terms and definitions**

- **Scientific and technology park (STP)** – is a facility focused on science, technology, innovative business and vocational training that works closely with universities, scientific centres and research institutes and has two basic functions – innovative and incubatory.
- **Technology-transfer centre (TTC)** – it is an entity that in collaboration with research institutes and universities, provides services for facilitating technology transfers to companies both on the national and international levels, provides the resources required for the technological transfer and expert consulting and consulting for intellectual and industrial property protection. The Technology Transfer Centre does not operate its own research centres or performs neither its own initial research nor follow-up research of the transferred technologies.³
- **Business incubator (BI)** – an environment predominantly intended for new innovation companies taking advantage of favourable market conditions with respect to rental rates and services provided by the incubator operator that are able to offer their products in the market within a reasonable period of time.
- **Aid recipient** – an entity (see Item No. 4 of this Call) which is an applicant for a subsidy for activities involving the establishment and further development of a science and technology park, business incubator or technology-transfer centre (see Item No. 3 of this Call).
- **Final aid recipient** – an innovative firm that is housed in and/or uses the services of STP, BI or TTC projects. Preferential services (rent, consulting,

³ The definition of a technology transfer centre in this Programme complies with the definition used by the European Commission (see for example the outcomes of the EC project entitled „Improving institutions for the transfer of technology from science to enterprises“: Technology transfer institutions in Europe from January 2004 and the report of EPG expert group of July 2004 (EPG-DG/PC-04-28).

etc.) are always provided within the de minimis regime for each final aid recipient and subsidies pursuant to this programme cannot be utilised for such preferential services (see Item 8.1 of this Call).

- **Innovative companies** – usually small and medium-size enterprises in which one of their main activities is implementing a project or a new product (article, technology, service) through its fully-developed form and launching it in the market.
- **Small or Medium-size Enterprise (SME)** – an enterprise fulfilling the conditions set forth in Annex I of Commission Regulation No. 800/2008 of 6 August 2008 declaring certain categories of aid compatible with the common market in application of Articles 87 and 88 of the EC Treaty.

3. Supported Activities

- a) Establishing and developing scientific and technical parks
- b) Establishing and developing technology transfer centres
- c) Establishing and developing business incubators
- d) Operation of an existing⁴ science and technology park, business incubator or technology-transfer centre (only within the de minimis regime or within the Temporary Framework).

The supported activity under section b) is complementary to the other aforementioned activities a), c), i.e. a separate project cannot be submitted for this activity.

⁴ An existing science and technology park, business incubator or technology-transfer centre is understood to be a facility that was newly constructed or renovated in connection with aid from the state budget and resources from EU structural funds within the framework of a project submitted to the Operational Programme Industry and Enterprise (OPIE), Priority I – Development of the Business Environment, measure 1.1 – Infrastructure for Industrial Research, Development and Innovation, Prosperity Programme.

4. Aid Recipient

a) The aid recipient shall be a university, a public research institute, an independent territorial administrative entity or other legal entity following from Section 18(2) a), c), d) of Act No 40/1964 Coll., the Civil Code, as amended. Its owner shall be a university, a public research institute or an independent territorial administrative entity, established before 15 December 2009.

b) A non-profit organisation in which the administrative board comprises representatives of only universities, public research institutes or territorial administrative units – generally charitable societies established pursuant to Act No. 248/1995 Coll., on Charitable Societies, and associations of legal entities established pursuant to Section 20f et seq., pursuant to Act No. 40/1964 Coll., the Civil Code, as amended, whose members are only universities, public research institutes or territorial administrative units.

c) The aid recipient (pursuant to Article 4 (a), (b)) will ensure the operation or will act as the operator of a science and technology park (for activities set forth in Article 3 (a), (d)) or a technology-transfer centre (for activities set forth in Article 3 (b), (d) or a business incubator (for activities set forth in Article 3 (c), (d)), and pursuant to the conditions of the programme will maintain separate accounting records in relation to the eligible costs of the project and shall explicitly set forth in its statutes that it was established for the purpose of supporting the intensity, quality and speed of propagating innovations and the transfer of technology into commercial practice of the given region with emphasis on progressive (high-tech) technologies.

d) For the activity set forth in Article 3 (d), the aid recipient must comply with items a, b and c (pursuant to this article) and, furthermore, the condition that:

- a such recipient received aid from the state budget and resources from EU structural funds for a project supported within the Operational Programme Industry and Enterprise (OPIE), Priority I – Development of the Business Environment, measure 1.1 – Infrastructure for Industrial Research, Development and Innovation, Prosperity Programme.

- or is the operator of a facility⁵ for which a subsidy was provided from the state budget and resources from EU structural funds for a project within the Operational Programme Industry and Enterprise (OPIE), Priority I – Development of the Business Environment, measure 1.1 – Infrastructure for Industrial Research, Development and Innovation, Prosperity Programme.

Concurrently, construction cost was an eligible cost of such a project within the Prosperity Programme (OPIE)⁶.

4.1. In addition, the aid recipient shall meet the following criteria:

- According to its statutory declaration, must be registered as an income tax payer at a tax office pursuant to Section 33(1) of Act No 337/1992 Coll., on Administration of Taxes and Fees, as amended.
- It shall be authorized to conduct business within the Czech Republic;
- On the date of the registration request submittal, it shall have closed at least two successive accounting periods. If the applicant has been conducting business for shorter time, the required history can be proved by entities that have a majority share in the applicant's company. The condition of the two successive closed accounting periods shall be considered fulfilled if there were no change of the applicant's legal form (transformation) that has the features listed in Annex No 1;
- According to its statutory declaration, has no arrears of payments to selected institutions⁷ and to subsidy providers from projects co-financed

⁵ The aid recipient shall submit a lease agreement for the STP/BI/TTC facility that was supported with a subsidy from the state budget and resources from EU structural funds within the Operational Programme Industry and Enterprise (OPIE), Priority I – Development of the Business Environment, measure 1.1 – Infrastructure for Industrial Research, Development and Innovation, Prosperity Programme.

⁶ Construction cost is understood as a paid eligible costs set forth in budget item no. 5 – Construction or Renovation of Real Estate (construction part) of the budget of a project submitted within the Prosperity Programme (OPIE).

⁷ Tax Office, Czech Social Security Administration, health insurance companies, Land Fund, the Ministry of Finance as the legal successor of the State Property Fund, State Environmental Fund, State Residential Development Fund, Customs Administration of the Czech Republic, State Cultural Fund, State Fund of the Czech Republic for Support and Development of Czech Cinematography, State Agricultural Intervention Fund, regions, municipalities and associations of municipalities.

from EU budgets. Setting the payment of the arrears or an agreement to pay them shall be regarded as if the arrears have been settled.

- According to its statutory declaration, it has no arrears of payments of its employees' wages.
- The recipient may not conduct business activities in the sector of basic manufacturing of agriculture products, fishing and (CZ-NACE A01 and A03).⁸

4.2. An entity cannot be an aid recipient if as of the date of submission of the application:

- pursuant to the Act on Bankruptcy and Settlement, a court has declared bankruptcy against its assets, granted a settlement or rejected a proposal for declaration of bankruptcy due to lack of assets.
- pursuant to the Act on Insolvency and Its Resolution (the Insolvency Act), a court has commenced insolvency proceedings.
- a court has issued a ruling on the order of enforcement of a decision on its assets or ordered the execution of its assets.
- it is in liquidation.
- it is an enterprise in difficulties pursuant to Community Guidelines for state aid for the protection and restructuring of enterprises in difficulties, Commission Communication No. 2004/C 244/02, or pursuant to Commission Regulation (EC) No. 800/2008.
- it has an outstanding liability arising on the basis of an order to return financial resources issued following the prior ruling of the Commission declaring that aid is contrary to law and incompatible with the common market.

⁸ This applies in the case of aid in the de minimis form.

5. Programme conditions

5.1. Formal conditions of project acceptability

- a) The project must be implemented in the Czech Republic, outside the territory of Prague.
- b) Any applicant who is seeking a subsidy grant shall unambiguously prove its ownership or other rights towards the property and lands where the project is to be implemented.
- ϵ) The project shall include all mandatory sections listed in the Call and in the Subsidy Application form.
- d) The project must comply with the EU horizontal policies, particularly:
 - equal opportunities for men and women,
 - sustainable development.

5.2. Other conditions

- a) The applicant's financial health expressed as a rating (this is determined by the intermediate body based on a completed financial report, upon submission of the registration application) must not be lower than C+. If, as of the date of submitting the application, the applicant has only been in business for a period falling short of 2 closed accounting periods, the rating shall be prepared based on 2 years of financial date of the entrepreneur/entrepreneurs that exercises/jointly exercise controlling influence within the entrepreneur. In the case of foreign entities, the applicant shall submit a rating of the foreign entity/entities that exercises/jointly exercise controlling influence within the entrepreneur which has been performed by an external rating agency and the rating must be converted to the Moody's or Standard&Poors rating scale. In the event that rating will be performed for multiple entrepreneurs that jointly exercise controlling influence within the applicant, each of these entrepreneurs must achieve the minimum required rating.
- b) The subsidy shall be provided to the aid recipient based on a Decision on the provision of a Subsidy (hereinafter referred to as the "Decision"), a part of

which shall be formed by the Conditions for the Provision of a Subsidy (hereinafter referred to as the “Conditions”)

- c) The aid recipient is obligated to keep separate accounting information and documentation about the project’s eligible costs and use of the subsidy intended for the funding of eligible costs, as stipulated in the Conditions for the Provision of a Subsidy and to keep them for a period of 10 years following the project’s termination date. These records must be kept at least until 3 years following the closure of the OP Enterprise and Innovation in accordance with Article 90 of Council Regulation (EC) No. 1083/2006. All aid recipients shall be notified of the closure of the OP Enterprise and Innovation.
- d) The aid recipient is obligated to have in its ownership long-term tangible and intangible assets acquired fully or partially using the provided aid for a period of ten years from the date of termination of the project, whereas upon expiry of a five years from the termination of the project it is possible to sell such assets to another operator under the condition that the activities conducted by the centre (i.e. science and technology park, business incubator or technology-transfer centre) must be preserved for a period of ten years following termination of the project.
- e) Following the expiration of a ten-year period following the date of termination fo the project pursuant to the activities defined in Article 3 (a), (b), (c) and (d), applicants are authorised to conduct any other activity beyond the framework of these activities.
- f) In the case of rental of property or acquisition of property form an entity connected to the recipient either economically or through personnel, the rental/purchase price cannot be included in the eligible costs.
- g) Aid is provided to the aid recipient retroactively following completion of the project or phases thereof, providing that the Terms and Conditions have been complied with.
- h) For the entire period of implementation of the project, the aid recipient is obligated to allow direct access to authorised employees of the Programme Administrator (MIT) and the mediating entity (CzechInvest) for the purpose of performing inspections pursuant to Act No. 552/1991 Coll., on State

Inspection. Furthermore, the aid recipient shall allow these employees direct access for the purpose of inspecting compliance with the conditions of the programme and the specific utilisation of resources from the provided subsidy as well as inspecting the financial situation and accounting or tax records of the aid recipient, both at the place of project implementation and at the aid recipient's registered office.

- i) The aid recipient is obligated to complete the project no later than the deadline set forth in the Decision to Grant a Subsidy. The project is considered completed when all phases of the project have been completed.
- j) In the case of construction, a structure shall be considered as completed if all component structures and technological units of the structure have been completed. The structure or technological unit shall be considered as completed when it is taken over via a protocol and if building approval or a permit for trial operation is issued for it, provided that these administrative rulings have been issued or the structure's handover protocol has been provided in the case that a building permit was not required for implementation of the project.
- k) In the case that a project is derived from the Integrated Urban Development Plan (IUDP), within the selection criteria it is entitled to an allowance in the amount of 10% (in connection with Government Resolution No. 883 of 13 August 2007). The applicant must present this fact no later than at the time of submitting the Full Application and shall submit the confirmation of the municipality (bearer of the IUDP) that the project is a part of and in compliance with the IUDP.

In certain defined cases, the aid recipient is obligated to utilise the Income Deduction Methodology (Annex No. 5 of this Call).

Other responsibilities of the aid recipient are set forth in the Terms and Conditions.

6. *Eligible costs*

6.1. **Conditions of eligible costs**

- they must be expended in accordance with the programme's objectives and must be immediately related to the project's implementation,
- they must be not expended earlier than the project's acceptability date⁹,
- before the reimbursement, they must be provably paid by the aid recipient, unless stipulated otherwise,
- they must be substantiated by conclusive vouchers, paid to suppliers; the assets may not be acquired by means of capitalization.

6.2. **An overview of eligible costs**

- Tangible assets, especially in the form of land, buildings, machinery and other equipment (i.e. property acquisition including its technical valuation) and especially the purchase and modification of land, the purchase of buildings, new buildings, the removal of buildings, renovation/modernization of buildings, engineering works during construction, design documents, networks and communications, other machinery and equipment including technical valuation, hardware and networks; it shall be new property and must be used exclusively at the place of project implementation.
- Intangible assets, especially software, licences and know-how being a new property used exclusively at the place of implementation of the aid recipient's project, it shall be treated as amortised assets, shall be procured from third parties under market conditions, without the purchaser being able to exercise control over the seller in the meaning of Article 3 of Commission Regulation (EC) No. 139/2004¹⁰, or vice versa and shall be registered in the company's assets. For entrepreneurs who do not fulfill the definition of an SME, the eligible costs can include the costs of acquiring intangible assets to a

⁹ The date of project acceptability is understood as the day on which the aid provider or the mediating entity provides to the applicant written confirmation that the Registration Application essentially fulfils the acceptability conditions of the programme.

¹⁰ Official Journal EU L 24, 29 January 2004, pg. 1.

maximum amount of 50 % of the total actual eligible investment costs of a project.

- Operating costs, especially services and consultants, experts, essays, training sessions, seminars, workshops, network non-storable supplies, etc.
- Cost of the project's promotion.

The list of eligible costs for particular subsidized activities is part of Annex No 2.

6.3. Non-eligible costs

- VAT, provided that the aid recipient is a VAT payer,
- Costs reimbursed before the project's acceptability date,
- Loan and credit instalments,
- Sanctions and penalties,
- Costs for guarantees, insurance, interest, bank charges, exchange rate losses, customs and administration charges,
- leasing.

7. *Branch delimitation*

Such projects that will not affect any of the below-mentioned branches will be subsidized:

- The production, processing and marketing of products which are specified in Annex 3 to this Call,
- agriculture, forestry, fishing and aquaculture (CZ-NACE A 01, A 02, A03),
- coal industry (CZ-NACE B 05, C 19.1),
- steel industry (industry specified in Annex 4 to this Call)
- synthetic fibre production (industry specified in Annex 4 to this Call),
- shipbuilding (CZ-NACE C 30.11).

8. Form and amount of aid

- a) Aid is provided in the form of a subsidy. The provided aid does not comprise state aid, i.e. state aid in the meaning of Article 87 of the EC Treaty; an exception comprises aid provided pursuant to the Temporary Framework, which consists in state aid, i.e. state aid in the meaning of Article 87 of the EC Treaty.
- b) The subsidies are intended for the settlement of eligible costs incurred in association with the project's fulfilment. For projects containing construction projects, the subsidy can equal from CZK 5 to 300 million. For projects not containing construction projects, the subsidy can equal CZK 1 to 30 million.
- c) The subsidy for activities pursuant to Article 3 (a), (b), (c) and (d) amounts to up to 75% of eligible costs for the aid recipient.
- d) In the case of a subsidy for activities set forth in Article 3 (a), (b) and (c), aid for operating costs can be increased for the aid recipient up to an amount not exceeding EUR 500,000 under the condition that eligible investment costs reach the level of at least CZK 100 million. This increased aid can be drawn for projects with a Decision issued by 31 December 2010. For this reason, it is necessary to submit the Full Application no later than 30 September 2010.
- e) In the case of a subsidy for activities set forth in Article 3 (d), aid for operating costs is provided only in the de minimis regime and pursuant to item 4.2 of the Temporary Framework. Aid for operating costs can be increased for the aid recipient up to an amount not exceeding EUR 500,000¹¹ under the condition that the recipient demonstrates eligible investment costs¹² in the amount of at least CZK 100 million within a project supported from the Operational Programme Industry and Enterprise, Priority I – Development of the Business Environment, measure 1.1 – Infrastructure for Industrial Research, Development and Innovation, Prosperity Programme. Such increased aid can be drawn for projects with a Decision issued by 31 December 2010. In the

¹¹ The aid regime based on item 4.2.2 of the Temporary Framework – small amounts of aid compatible with the common market.

¹² Eligible investment costs here are understood as the total eligible investment costs deducted by the applicants and based on which a subsidy was paid. Concurrently, construction cost is an eligible cost of such a project within the Prosperity Programme (OPIE).

case of utilisation of such increased aid pursuant to the Temporary Framework, it is necessary to submit the Full Application by 30 September 2010 at the latest.

- f) Every subsidy provided within the framework of support not constituting state aid (except for aid provided to the subsidy recipient for operating costs pursuant to the de minimis rule or, as the case may be, the Temporary Framework) should be transferred to business entities (final aid recipients) in the form of privileged service¹³ (rent or services). In the case that aid will not be transferred in full to the final recipient, the methodology of income deduction shall be adequately applied. According to this methodology, the non-transferred subsidy appears as net income in the tenth (final) year, which shall be discounted by the relevant un-accrued interest. The income deduction methodology comprises Annex No. 7 of this Call (except for projects whose eligible costs do not exceed the amount of EUR 1 million).

8.1. Aid provided to final recipients of aid

In the case of activities set forth in Article 3 (a), (b), (c) and (d) the aid recipient can provide advantageously priced services to final aid recipients (innovative enterprises) using the services of the project in the form of:

- 1) Favourable rental of space and equipment
- 2) Preferential services (e.g. services of consultants and experts, studies provided by external consultants, seminars and workshops, training and retraining)
- 3) Preferential network non-storable supplies (high-speed internet connection, etc.)

¹³ Privileges (aid provided to final aid recipients) is calculated as the difference between the common price in the given region and the preferential price provided by the project operator to the final aid recipients.

Privileges (aid) calculated as the difference between the common price in the given region and the preferential price provided by the project operator will always be provided in the de minimis regime for the given enterprises (final aid recipients). In the case of each final recipient, such provided aid – for an innovative enterprise using preferential services and supplies – may not, together with all other aid according to the de minimis rule over a period of three fiscal years (i.e. for the period defined by the fiscal year in which the subsidy is provided and the two preceding fiscal years – see Article 17 of Commission Regulation (EC) No. 1998/2006, on de minimis aid), exceed the amount of EUR 200,000.

The aid recipient is obligated to comply with all conditions set forth by Commission Regulation (EC) No. 1998/2006 and must, in particular, request from the final aid recipient an affidavit on the amount of de minimis aid that such final recipient received in the given period and at the same time must inform the final recipient of aid provided in the de minimis regime.

Subsidies cannot be drawn within the framework of the Prosperity Programme in connection with such privileges (aid).

9. Selection criteria

The selection criteria are specified in Annex 6 to this Call.

10. The method of selecting projects

The selection and evaluation of the projects takes place from the criteria specified by the Programme Administrator. The requests for aid provision (including expert opinions provided by external and independent evaluators, if any) shall be submitted by the mediator to the assessment committee with suggested recommendations (including the conditions of the subsidy's granting) or non-recommendations for aid granted to the project. The committee will review whether the selection criteria were fulfilled and will either recommend it for a subsidy or not. The Programme

Administrator decides on subsidy granting through issuing a Decision on the subsidy grant.

11. The project's implementation period

The latest date for completing a project supported within this Call is 30 June 2014.

Payment Requests may be submitted no later than 31 December 2014 (this applies both to submitting applications and remedying deficiencies of which the Aid recipient has been notified by the Provider).

12. The Aid Application and the Manner of its Submission

The aid application shall be submitted **in two steps** via the electronic account (eAccount) on the website at www.czechinvest.org/eaccount. In order to submit the Application, it is necessary to have an electronic signature.

Step 1: The applicant first fills out and electronically sends the simplified **Registration Application**. Based on a formal inspection of the acceptability of the Registration Application, including an economic assessment of the applicant, CzechInvest shall inform the applicant of the result of the evaluation. In the case of preliminary eligibility of the project, CzechInvest will send to the applicant information on the preliminary eligibility of the project and the date from which eligible costs may be incurred.

Step 2: From 1 January 2010, after the submittal of the registration application, the applicant shall electronically submit the **Full Application**. The Full Application contains detailed information on the applicant and the project.

The procedure on how to complete registration and full application, including all attachments such requests is part of the Guidelines for applications and the recipient of grants from the Prosperity OPPI (see Annex 7)

13. Sanctions for Non-compliance with the Programme's Conditions

Sanctions for non-compliance with the conditions of the programme are set forth in the Terms and Conditions.

14. Other Provisions

There is no legal entitlement to a subsidy. The Governing Body decides the final amount of the subsidy.

The Governing Body reserves the right to suspend or terminate the call prematurely (eg due to exhaustion of allocated funds).

Annexes:

Annex 1 – Change (Transformation) of the Entity

Annex 2 – The list of eligible costs for particular subsidized activities

Annex 3 – Annex I of the EC Treaty

Annex 4 – The list of excluded products

Annex 5 – Selection Criteria

Annex 6 – Methodology deduction of income

Annex 7 – Instructions for the applicants

PART II

Basic provision

- a) The Programme Administrator (aid provider) is the Ministry of Industry and Trade of the Czech Republic (hereinafter referred to as the “MIT”), (www.mpo.cz).
- b) The mediating entity for this programme is CzechInvest, the Investment and Business Development Agency, an organisation of the MIT, with its registered office at Štěpánská 15, 120 00 Prague 2 (hereinafter referred to as CzechInvest), (www.czechinvest.org).

Aid provided via the Prosperity Programme within this Call (state-aid regime) fulfils the conditions of Commission Regulation (EC) No. 800/2008 of 6 August 2008, declaring certain categories of aid compatible with the common market in application of Articles 87 and 88 of the EC Treaty (hereinafter referred to as “Commission Regulation No. 800/2008”)¹⁴, Commission Regulation (EC) No. 1998/2006 of 15 December 2006 on the application of Articles 87 and 88 of the EC Treaty to de minimis aid¹⁵ or, as the case may be, Commission Communication – Temporary Community Framework for state-aid measures improving access to financing during the current financial and economic crisis (hereinafter referred to as the “Temporary Framework”)¹⁶ and can therefore be considered compatible with the common market in the meaning of Article 87 (3) of the EC Treaty and is exempt from the notification obligation pursuant to Article 88 (3) of the EC Treaty.

15. Objective of the Call

The aim of the Call is to support – through subsidies – establishing and further development of infrastructure entities for industrial research, technological development and innovations mainly focused on implementing new technologies and

¹⁴ Official Journal EU L 214, 9 August 2008, pgs. 3-47.

¹⁵ Official Journal EU L 379, 28 December 2006, pgs. 5-10.

¹⁶ Official Journal EU C 16, 22 January 2009, pgs. 1-9. On 7 May 2009 the European Commission approved the “Czech Temporary Framework” aid programme for the Czech Republic. – State aid N 236/2009 – Czech Republic.

competitive products and services. In association with the support of innovation infrastructure for newly established innovation companies, the Programme further aims at supporting the establishment and further development of business incubators and their activities.

The Programme pays special attention to the support of Business Angels network supporting new SMEs.

16. **Basic terms and definitions**

- **Scientific and technology park (STP)** – is a facility focused on science, technology, innovative business and vocational training that works closely with universities, scientific centres and research institutes and has two basic functions – innovative and incubatory.
- **Technology transfer centre (TTC)** – it is an entity that in collaboration with research institutes and universities, provides services for facilitating technology transfers to companies both on the national and international levels, provides the resources required for the technological transfer and expert consulting and consulting for intellectual and industrial property protection. The Technology Transfer Centre does not operate its own research centres or performs neither its own initial research nor follow-up research of the transferred technologies.¹⁷
- **Business incubator (BI)** – an environment predominantly intended for new innovation companies taking advantage of favourable market conditions with respect to rental rates and services provided by the incubator operator that are able to offer their products in the market within a reasonable period of time.

Business angels (BA) – entities that are willing to invest available capital in newly established innovative firms with high growth potential.

Business angels networks (BAN) – entities associating business angels for the purpose of more effective access to information and more rational investment of business angels' capital.

¹⁷ The definition of a technology transfer centre in this Programme complies with the definition used by the European Commission (see for example the outcomes of the EC project entitled „Improving institutions for the transfer of technology from science to enterprises“: Technology transfer institutions in Europe from January 2004 and the report of EPG expert group of July 2004 (EPG-DG/PC-04-28).

Aid recipient – an entity (see Item No. 4 of this Call) which is an applicant for a subsidy for activities involving the establishment and further development of a science and technology park, business incubator or technology-transfer centre (see Item No. 17 of this Call).

Final aid recipient – an innovative firm that is housed in and/or uses the services of STP, BI or TTC projects. Preferential services (rent, consulting, etc.) are always provided within the de minimis regime for each final aid recipient and subsidies pursuant to this programme cannot be utilised for such preferential services (see Item 22.1 of this Call).

- **Innovative companies** – are usually small and medium-size enterprises in which one of their main activities is implementing a project or a new product (article, technology, service) through its fully-developed form and launching it in the market.

Small and medium-size enterprises (SME) – enterprises fulfilling the conditions set forth in Annex I of Commission Regulation No. 800/2008.

17. Supported activity

- e) Establishing and developing scientific and technical parks
- f) Establishing and developing technology transfer centres
- g) Establishing and developing business incubators
- h) Establishing and developing Business Angels networks – supporting the activities of Business Angels networks. These are the entities that create networks (networking) of investors with recently established companies (spin-off, start-up) that, with regard to the enhanced risk inherent in this stage of a company's development, have difficulty obtaining suitable funding for their projects. Services such as investor databases, project profiles of the aforementioned companies (project listing), consulting during prospective preparations, etc. will be also provided under this facility. It does not represent direct support of specific investor financial investments.

- i) Operation of an existing¹⁸ science and technology park, business incubator or technology-transfer centre.

The supported activity under section f) is complementary to the other aforementioned activities e), g), i.e. a separate project cannot be submitted for this activity.

18. Aid recipient

Within this Call, aid is provided to the recipient in the state-aid regime.

The aid recipient is a legal entity in the meaning of Section 18 (2) (a), (c) and (d) of Act No. 40/1964 Coll., the Civil Code, as amended.

Such legal entity will ensure the operation or will act as the operator of a science and technology park (for activities set forth in Article 17 (e), (i)) or a technology-transfer centre (for activities set forth in Article 17 (f), (i)) or a business incubator (for activities set forth in Article 17 (g), (i)), and pursuant to the conditions of the programme will maintain separate accounting records in relation to the eligible costs of the project and shall explicitly set forth in its statutes that it was established for the purpose of supporting the intensity, quality and speed of propagating innovations and the transfer of technology into commercial practice of the given region with emphasis on progressive (high-tech) technologies. For the activities set forth in Article 17 (h), the explicit definition of activities in the statutes is not required.

For the activity set forth in Article 17 (i), the aid recipient must comply with the condition that:

- such recipient received aid from the state budget and resources from EU structural funds for a project supported within the Operational Programme Industry and Enterprise (OPIE), Priority I – Development of the Business Environment, measure 1.1 – Infrastructure for Industrial Research, Development and Innovation, Prosperity Programme,

¹⁸ An existing science and technology park, business incubator or technology-transfer centre is understood to be a facility that was newly constructed or renovated in connection with aid from the state budget and resources from EU structural funds within the framework of a project submitted to the Operational Programme Industry and Enterprise (OPIE), Priority I – Development of the Business Environment, measure 1.1 – Infrastructure for Industrial Research, Development and Innovation, Prosperity Programme.

- for which¹⁹ a subsidy was provided from the state budget and resources from EU structural funds for a project within the Operational Programme Industry and Enterprise (OPIE), Priority I – Development of the Business Environment, measure 1.1 – Infrastructure for Industrial Research, Development and Innovation, Prosperity Programme.

Concurrently, construction cost was an eligible cost of such a project²⁰.

18.1. In addition, the aid recipient shall meet the following criteria:

- According to its statutory declaration, must be registered as an income tax payer at a tax office pursuant to Section 33(1) of Act No 337/1992 Coll., on tax and fee administration as amended.
- It shall be authorized to conduct business within the Czech Republic;
- On the date of the registration request submittal, it shall have closed at least two successive accounting periods. If the applicant has been conducting business for shorter time, the required history can be proved by entities that have a majority share in the applicant's company. The condition of the two successive closed accounting periods shall be considered fulfilled if there were no change of the applicant's legal form (transformation) that has the features listed in Annex No 1;
- According to its statutory declaration, has no arrears of payments to selected institutions²¹ and to subsidy providers from projects co-

¹⁹ The aid recipient shall submit the lease contract for the STP/BI/TTC build which was supported with a subsidy from the state budget and resources from EU structural funds for a project within the Operational Programme Industry and Enterprise (OPIE), Priority I – Development of the Business Environment, measure 1.1. Infrastructure for Industrial Research, Development and Innovation, PROSPERITY Programme.

²⁰ Construction cost is understood as a paid eligible costs set forth in budget item no. 5 – Construction or Renovation of Real Estate (construction part) of the budget of a project submitted within the Prosperity Programme (OPIE).

²¹ Tax Office, Czech Social Security Administration, health insurance companies, Land Fund, the Ministry of Finance as the legal successor of the State Property Fund, State Environmental Fund, State Residential Development Fund, Customs Administration of the Czech Republic, State Cultural Fund, State Fund of the Czech Republic for Support and Development of Czech Cinematography, State Agricultural Intervention Fund, regions, municipalities and associations of municipalities.

financed from EU budgets. Setting the payment of the arrears or an agreement to pay them shall be regarded as if the arrears have been settled.

- According to its statutory declaration, it has no arrears of payments of its employees' wages.
- The recipient may not conduct business activities in the sector of basic manufacturing of agriculture products, fishing and (CZ-NACE A01 and A03).²²

18.2. An entity cannot be an aid recipient if as of the date of submission of the application:

- pursuant to the Act on Bankruptcy and Settlement, a court has declared bankruptcy against its assets, granted a settlement or rejected a proposal for declaration of bankruptcy due to lack of assets.
- pursuant to the Act on Insolvency and Its Resolution (the Insolvency Act), a court has commenced insolvency proceedings.
- a court has issued a ruling on the order of enforcement of a decision on its assets or ordered the execution of its assets.
- it is in liquidation.
- it is an enterprise in difficulties (pursuant to Commission Communication 2004/C 244/02 and Commission Regulation (EC) No. 800/2008)²³,

²² This applies in the case of aid in the de minimis form.

²³ An enterprise is considered to be an enterprise in difficulties if it fulfils the following conditions:

a) in the case of a limited liability company, where a loss of more than half of the basic capital has occurred and where a loss of more than one-fourth of such capital has occurred in the past twelve months, or

b) in the case of a company in which at least some of the partners fully guarantee the company's liabilities, where there has occurred a loss of more than one-half of the basic capital recorded in the company's accounting and where there has occurred a loss of more than one-fourth of such capital in the past twelve months, or

- it has an outstanding liability arising on the basis of an order to return financial resources issued following the prior ruling of the Commission declaring that aid is contrary to law and incompatible with the common market.
- it is a recipient of aid for young innovative enterprises pursuant to Article 35 of Commission Regulation (EC) No. 800/2008, provided less than three years prior to the date of submitting the aid application.

19. Programme conditions

19.1. Formal conditions of project acceptability

- e) The project must be implemented in the Czech Republic, outside the territory of Prague.
- f) Any applicant who is seeking a subsidy grant shall unambiguously prove its ownership or other rights towards the property and lands where the project is to be implemented.
- g) The project shall include all mandatory sections listed in the Call and in the Subsidy Application form.
- h) The project must comply with the EU horizontal policies, particularly:
 - equal opportunities for men and women,
 - sustainable development.

19.2. Other conditions

- l) The applicant's financial health expressed as a rating (this is determined by the intermediate body based on a completed financial report, upon submission of the registration application) must not be lower than C+. If, as of the date of submitting the application, the applicant has only been in business for a period

c) where, regardless of the type of company, the enterprise fulfils the conditions of the Insolvency Act (Act No. 182/2006 Coll., on Insolvency and Its Settlement) for commencing collective insolvency proceedings.

A small or medium-size enterprise that has been in existence for less than three years, is considered an enterprise in difficulties during the stated period only if it fulfils the conditions set forth in subparagraph c).

falling short of 2 closed accounting periods, the rating shall be prepared based on 2 years of financial data of the entrepreneur/entrepreneurs that exercises/jointly exercise controlling influence within the entrepreneur. In the case of foreign entities, the applicant shall submit a rating of the foreign entity/entities that exercises/jointly exercise controlling influence within the entrepreneur which has been performed by an external rating agency and the rating must be converted to the Moody's or Standard&Poors rating scale. In the event that rating will be performed for multiple entrepreneurs that jointly exercise controlling influence within the applicant, each of these entrepreneurs must achieve the minimum required rating.

- m) The subsidy shall be provided to the aid recipient based on a Decision on the provision of a Subsidy (hereinafter referred to as the "Decision"), a part of which shall be formed by the Conditions for the Provision of a Subsidy (hereinafter referred to as the "Conditions")
- n) The aid recipient is obligated to keep separate accounting information and documentation about the project's eligible costs and use of the subsidy intended for the funding of eligible costs, as stipulated in the Conditions for the Provision of a Subsidy and to keep them for a period of 10 years following the project's termination date. These records must be kept at least until 3 years following the closure of the OP Enterprise and Innovation in accordance with Article 90 of Council Regulation (EC) No 1083/2006. All aid recipients shall be notified of the closure of the OP Enterprise and Innovation.
- o) For a period of five years from the date of termination of the project, the aid recipient is obligated to conduct the supported active in a NUTS II region and preserve (i.e. have in its ownership) in that region for the same period the long-term tangible and intangible assets the were acquired fully or partially using the provided subsidy.
- p) For the entire period of project implementation and for a period a five years following the date of termination of the project's implementation, the aid recipient must use the assets which acquired with the subsidy, and which it has in its ownership, primarily for the supported economic activity.

- q) The aid recipient's financial contribution must reach the amount of at least 25% of eligible costs either from its own resources or via external financing and in a form that does not contain any state aid.
- r) In the case of rental of property or acquisition of property from an entity connected to the recipient either economically or through personnel, the rental/purchase price cannot be included in the eligible costs.
- s) The subsidy is provided to the aid recipient retroactively following completion of the project or phases thereof, providing that the Terms and Conditions have been complied with.
- t) For the entire period of implementation of the project, the aid recipient is obligated to allow direct access to authorised employees of the Programme Administrator (MIT) and the mediating entity (CzechInvest) for the purpose of performing inspections pursuant to Act No. 552/1991 Coll., on State Inspection. Furthermore, the aid recipient shall allow these employees direct access for the purpose of inspecting compliance with the conditions of the programme and the specific utilisation of resources from the provided subsidy as well as inspecting the financial situation and accounting or tax records of the aid recipient, both at the place of project implementation and at the aid recipient's registered office.
- u) The aid recipient is obligated to complete the project no later than the deadline set forth in the Decision to Grant a Subsidy. The project is considered completed when all phase of the project have been completed.
- v) In the case of construction, a structure shall be considered as completed if all component structures and technological units of the structure have been completed. The structure or technological unit shall be considered as completed when it is taken over via a protocol and if building approval or a permit for trial operation is issued for it, provided that these administrative rulings have been issued or the structure's handover protocol has been provided in the case that a building permit was not required for implementation of the project.
- w) In the case that a project is derived from the Integrated Urban Development Plan (IUDP), within the selection criteria it is entitled to an allowance in the

amount of 10% (in connection with Government Resolution No. 883 of 13 August 2007). The applicant must present this fact no later than at the time of submitting the Full Application and shall submit the confirmation of the municipality (bearer of the IUDP) that the project is a part of and in compliance with the IUDP.

- x) The project must have an incentive effect pursuant to Article 8 of Commission Regulation (EC) No. 800/2008.

Other responsibilities of the aid recipient are set forth in the Terms and Conditions.

20. Eligible costs

20.1. Expenditure eligibility conditions

- they must be expended in accordance with the programme's objectives and must be immediately related to the project's implementation,
- they must be not expended earlier than the project's acceptability date²⁴,
- before the reimbursement, they must be provably paid by the aid recipient, unless stipulated otherwise,
- they must be substantiated by conclusive vouchers, paid to suppliers; the assets may not be acquired by means of capitalization.

20.2. An overview of eligible costs

- Tangible assets, especially in the form of land, buildings, machinery and other equipment (i.e. property acquisition including its technical valuation) and especially the purchase and modification of land, the purchase of buildings, new buildings, the removal of buildings, renovation/modernization of buildings, engineering works during construction, design documents, networks and communications, other machinery and equipment including technical

²⁴ The date of project acceptability is understood as the day on which the aid provider or the mediating entity provides to the applicant written confirmation that the Registration Application essentially fulfils the acceptability conditions of the programme.

valuation, hardware and networks; it shall be new property and must be used exclusively at the place of project implementation.

- Intangible assets, especially software, licences and know-how being a new property used exclusively at the place of implementation of the aid recipient's project, it shall be treated as amortized assets, shall be procured from third parties under market conditions, without the purchaser being able to exercise control over the seller in the meaning of Article 3 of Commission Regulation (EC) No. 139/2004²⁵, or vice versa and shall be registered in the company's assets. For entrepreneurs who do not fulfill the definition of an SME, the eligible costs can include the costs of acquiring intangible assets to a maximum amount of 50 % of the total actual eligible investment costs of a project.
- Operating costs, especially services and consultants, experts, essays, training sessions, seminars, workshops, wages²⁶ and related social and health insurance, network non-storable supplies, etc.
- Cost of the project's promotion.

For all projects within this call it is necessary to comply with the conditions valid for investment aid set forth in Article 12 of Commission Regulation 800/2008.

A summary of eligible costs for individual supported activities froms a part of Annex No. 2.

20.3. Non-eligible costs

- VAT, provided that the aid recipient is a VAT payer,
- Costs reimbursed before the project's acceptability date,
- Loan and credit installments,
- Sanctions and penalties,
- Costs for guarantees, insurance, interest, bank charges, exchange rate losses, customs and administration charges,

²⁵ Official Journal EU L 24, 29 January 2004, pg.1.

²⁶ Only within the supported activity set forth in Article 3 (d).

- leasing.

21. Branch delimitation

Such projects that will not affect any of the below-mentioned branches will be subsidized:

- The production, processing and marketing of products which are specified in Annex 3 to this Call,
- agriculture, forestry, fishing and aquaculture sectors (CZ-NACE A 01, A 02, A03),
- coal industry (CZ-NACE B 05, C 19.1),
- steel industry (industry specified in Annex 4 to this Call)
- synthetic fibre production (industry specified in Annex 5 to this Call),
- shipbuilding (CZ-NACE C 30.11).

22. Form and Amount of Aid

- b) Aid is provided as a subsidy through the public aid programme.
- c) The subsidies are intended for the settlement of eligible costs incurred in association with the project's fulfillment. For projects containing construction projects, the subsidy can equal from CZK 5 to 300 million. For projects not containing construction projects, the subsidy can equal CZK 1 to 30 million.

Aid is provided maximally in the amount of the percentage limits of eligible costs set forth by the regional map of state-aid intensity for the period 2007-2013 (see table below). This aid intensity will be applied also for de minimis aid provided for eligible costs of the projects. The recipient may receive a subsidy provided pursuant to the de minimis rule only under the condition that such provided aid together with all other aid according to the de minimis rule over a period of three fiscal years (i.e. for the period defined by the fiscal year in which the subsidy is provided and the two

preceding fiscal years – see Article 17 of Commission Regulation (EC) No. 1998/2006, on de minimis aid), does not exceed the amount of EUR 200,000.

NUTS II region	small enterprise	medium-size enterprise	large company
Central Moravia, North-West, Central Bohemia, Moravia-Silesia North-East, South-East	60 %	50 %	40 %
South-West 1. 1. 2007 – 31. 12. 2010	56 %	46 %	36%
South-West 1. 1. 2011 – 31. 12. 2013	50 %	40 %	30%

Aid is provided on the basis of Commission Regulation (EC) No. 800/2008 and aid in the de minimis regime for the same project is counted in the calculation of the maximum aid intensity.

- d) In the case of a subsidy for activities set forth in Article 3 (a), (b) and (c), aid for operating costs can be increased for the aid recipient up to an amount not exceeding EUR 500,000 under the condition that eligible investment costs reach the level of at least CZK 100 million. This increased aid can be drawn for projects with a Decision issued by 31 December 2010. For this reason, it is necessary to submit the Full Application no later than 30 September 2010.
- e) In the case of a subsidy for activities set forth in Article 17 (i) aid for operating costs is provided only in the de minimis regime and pursuant to item 4.2 of the Temporary Framework. Aid for operating costs can be increased for the aid recipient up to an amount not exceeding EUR 500,000 under the condition that the recipient demonstrates eligible investment costs²⁷ in the amount of at least CZK 100 million within a project supported from the Operational Programme

²⁷ Eligible investment costs here are understood as the total eligible investment costs deducted by the applicants and based on which a subsidy was paid. Concurrently, construction cost is an eligible cost of such a project within the Property Programme (OPIE).

Industry and Enterprise, Priority I – Development of the Business Environment, measure 1.1 – Infrastructure for Industrial Research, Development and Innovation, Prosperity Programme. Such increased aid can be drawn for projects with a Decision issued by 31 December 2010. For this reason, it is necessary to submit the Full Application no later than 30 September 2010.

- f) In the case of a subsidy for activities set forth in Article 17 (h), aid is provided only in the de minimis regime.

Aid provided pursuant to the Temporary Framework and aid in the de minimis regime are added together, i.e. together these two aid amounts may not exceed the limit of EUR 500,000 in the defined period (1 January 2008 – 31 December 2010).

22.1. Aid provided to final recipients of aid

In the case of activities set forth in Article 17 (e), (f), (g), (i) the aid recipient can provide advantageously priced services to final aid recipients (innovative enterprises) using the services of the project in the form of:

- 1) Favourable rental of space and equipment
- 2) Preferential services (e.g. services of consultants and experts, studies provided by external consultants, seminars and workshops, training and retraining)
- 3) Preferential network non-storable supplies (high-speed internet connection, etc.)

Privileges (aid to final aid recipients) calculated as the difference between the common price in the given region and the preferential price provided by the project operator will always be provided in the de minimis regime for the given enterprises (final aid recipients). In the case of each final recipient, such provided aid – for an innovative enterprise using preferential services and supplies – may not, together with all other aid according to the de minimis rule over a period of three fiscal years (i.e. for the period defined by the fiscal year in which the subsidy is provided and the two preceding fiscal years – see Article 17 of Commission Regulation (EC) No. 1998/2006, on de minimis aid), exceed the

amount of EUR 200,000. The aid recipient is obligated to comply with all conditions set forth by Commission Regulation (EC) No. 1998/2006 and must, in particular, request from the final aid recipient an affidavit on the amount of de minimis aid that such final recipient received in the given period and at the same time must inform the final recipient about aid provided in the de minimis regime.

Subsidies cannot be drawn within the framework of the Prosperity Programme in connection with such privileges (aid).

23. Selection criteria

The selection criteria are specified in Annex 5 to this Call.

24. The method of selecting projects

The selection and evaluation of the projects takes place from the criteria specified by the Programme Administrator. The requests for aid provision (including expert opinions provided by external and independent evaluators, if any) shall be submitted by the mediator to the assessment committee with suggested recommendations (including the conditions of the subsidy's granting) or non-recommendations for aid granted to the project. The committee will review whether the selection criteria were fulfilled and will either recommend it for a subsidy or not. The Programme Administrator decides on subsidy granting through issuing a Decision on the subsidy grant.

25. Participation in other aid programmes

Other state aid, i.e. state aid pursuant to Article 87 of the EC Treaty or other aid in the de minimis regime pursuant to Commission Regulation (EC) No. 1998 or pursuant to the Temporary Framework cannot be provided for the eligible costs of a project supported within this programme.

If the aid recipient has obtained capital within the venture-capital measure pursuant to Article 29 (aid in the form of venture capital) of Commission Regulation (EC) No. 800/2008 and afterwards, in the course of the first three years following the first

investment of venture capital, requests aid within the framework of this Call of the programme, the relevant threshold values of aid shall be reduced by 20%, whereas the reduction shall not exceed the total amount of the received venture capital.

26. The project's implementation period

The latest date for completing a project supported within this Call is 30 June 2014. Payment Requests may be submitted no later than 31 December 2014 (this applies both to submitting applications and remedying deficiencies of which the Aid Recipient has been notified by the Provider).

27. The Aid Application and the Manner of its Submission

The aid application shall be submitted **in two steps** via the electronic account (eAccount) on the website at www.czechinvest.org/eaccount. In order to submit the Application, it is necessary to have an electronic signature.

Step 1: The applicant first fills out and electronically sends the simplified **Registration Application**. Based on a formal inspection of the acceptability of the Registration Application, including an economic assessment of the applicant, CzechInvest shall inform the applicant of the result of the evaluation. In the case of preliminary eligibility of the project, CzechInvest will send to the applicant information on the preliminary eligibility of the project and the date from which eligible costs may be incurred.

Step 2: From 1 January 2010, after the submittal of the registration application, the applicant shall electronically submit the **Full Application**. The Full Application contains detailed information on the applicant and the project.

The procedure on how to complete registration and full application, including all attachments such requests is part of the Guidelines for applications and the recipient of grants from the Prosperity OPPI (see Annex 7)

28. Sanctions for Non-compliance with the Programme's Conditions

Sanctions for non-compliance with the conditions of the programme are set forth in the Terms and Conditions.

29. Other provisions

There is no legal entitlement to a subsidy. The Governing Body decides the final amount of the subsidy.

The Governing Body reserves the right to suspend or terminate the call prematurely (eg due to exhaustion of allocated funds).

Annexes:

Annex 1 – Change (Transformation) of the Entity

Annex 2 – The list of eligible costs for particular subsidized activities

Annex 3 – Annex I the EC Treaty

Annex 4 – The list of excluded products and sectors

Annex 5 – Selection Criteria

Annex 6 – Instructions for applicants