



EUROPEAN COMMISSION

**PUBLIC VERSION**

**WORKING LANGUAGE**

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Brussels,  
C (2011) 3880

**Subject: State aid SA.32599 (2011/NN) – Czech Republic**  
Cultural grant system of the city of Prague 2010-2015

## **1. PROCEDURE**

1. By letter of 18 February 2011, registered in the Commission on the same date, the Czech authorities notified the scheme mentioned above. The Commission requested additional information on 4 March 2011, 8 April 2011 and 3 May 2011 which was provided on 31 March 2011, 11 April 2011, 2 May 2011 and 3 May 2011. The present Grant System was originally approved by the City Council of the Capital City of Prague on 18 June 2009 and has been subject to a review on 17 February 2011. As some of its funds have already been granted exceeding the *de minimis* aid limit the Commission considers the scheme as non-notified.

## **2. DESCRIPTION OF THE AID MEASURE**

### ***General objective and specific goals***

2. The proposed aid scheme aims at contributing to the maintenance and consolidation of a wide range of cultural activities with the ultimate goal of making available to the inhabitants and visitors of the city of Prague a diversified and high quality offer.
3. The fields of culture in which support under the scheme will be granted are following:

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- I. theatre
- II. music
- III. dance and non-verbal art
- IV. graphic art, photographs and new media<sup>1</sup>
- V. literature (excluding periodicals with supra-regional and nationwide effect)
- VI. audiovisual art<sup>2</sup>
- VII. other, including multi-field projects

4. With respect to the support to projects concerning **audiovisual works** the Capital City of Prague has decided to provide subsidies in this field exclusively in the regime of de minimis aid rule. Therefore, this support falling under the de minimis exception will not be further considered in the assessment below. Any support above de minimis will be granted under the already approved state aid scheme N 98/2010<sup>3</sup>.

### *Legal basis*

- 5. The general acts approved by the Parliament of the Czech Republic, on whose basis the presented Grant System was elaborated are namely "*Act No. 131/2000 Coll. on the Capital City of Prague as amended*", "*Act No. 250/2000 Coll. on budget rules of territorial budgets*", "*Act no 320/2001 Coll. on financial control in public administration and on alteration of certain legal regulations*", "*Act no 563/1991 Coll. on accounting*" and "*Act. No. 203/2006 Coll., on certain types of support for culture and the amendment of certain related laws, as amended*".
- 6. The Czech authorities provided the specific legal basis of the scheme i.e. i) "*Resolution 28/43 of the Municipal Council of the Capital of Prague concerning the Grant System of the City of Prague for 2010–2015 of 18 June 2009*", ii) "*Principles for allocating multiyear specific funding<sup>4</sup> approved by the Resolution of the Advisory Board of the capital of Prague no 956 of 21 July 2009*", iii) "*Principles for the provision of multiannual and one-year selective subsidies of the Advisory Board of the capital of Prague no 956 of 21 July 2009*" as well as "*Definition of grant categories of the capital city of Prague in the sphere of culture and art for 2010 approved by the Resolution of the Advisory Board of the capital of Prague no 956 of 21 July 2009*" and iv) Updated Grant System of the Capital City of Prague in Arts and Culture for 2010-2015 approved by decision of the Municipal Council of the Capital City of Prague No. 4/25 dated 17 February 2011.
- 7. Because of the scheme's long term, the system encompasses possibilities for necessary formal changes or updates such as announcing new grant topics, updates to the manner of submitting the grant or number of the application copies, changes in

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<sup>1</sup> E.g. In field of culture IV projects such as exhibitions, festivals, continuous exhibiting activities, competitions, workshops, residency programs, scholarship programs, symposiums, expert lectures, publishing catalogues, publications, works of graphic design, new technologies in arts are funded under the present scheme. The projects supported under the specific category of new media within the field of culture IV include projects that make use of tools of new media such as digital art, computer graphic art, computer animation, virtual art, internet art, interactive art technologies, computer robotics and art as biotechnology for the realization of cultural performances and exhibitions. New media is considered a crucial tool for the realization of contemporary art. New media is not directly supported under the scheme but the realization of performances and exhibitions using tools of new media.

<sup>2</sup> It concerns support in the field of film and video where projects with a direct relation to the capital of Prague are given priority (see the article 1.1. of the Grant System).

<sup>3</sup> Current aid scheme supporting the creation of films in the Czech Republic.

<sup>4</sup> Grants of the capital of Prague in the area of culture and arts for 2010 - 2013

proving legal identity, or compulsory appendices. All changes must however be approved by the Advisory Board of the capital of Prague and subsequently published.

### ***Beneficiaries***

8. In order to benefit from the scheme beneficiaries must carry out the cultural activities stipulated in point 3 above. The Czech authorities estimate that the number of beneficiaries will be less than 500 annually.
9. The following entities are excluded from support under the scheme: i) the state organizational units, ii) allowance organizations established by them, iii) territorial self-government units (i.e. municipalities, towns, statutory towns, municipal areas and town districts) and allowance organizations established by them.
10. Both, natural and legal persons, who are registered according to the legal regulations valid in the Czech Republic and fulfil all the terms and conditions prescribed by law for the pertinent activity, can become grant beneficiaries regardless of their nationality or place of establishment<sup>5</sup>.
11. According to the Czech authorities the process to be inscribed in the Commercial Register in the Czech Republic is identical for both foreign legal entities and nationals and does not represent an excessive burden imposed on applicants because of its straightforward requirements. The law prescribes for certain forms of legal entities a minimum amount of registered capital<sup>6</sup>.
12. The seat or residence of the applicant is not evaluated but the project has to be implemented in the capital of Prague or, in case of an international cooperation, the project has to be focused on Prague artists, Prague arts or represent the city of Prague as such abroad.

### ***Duration***

13. The authorisation of the scheme is requested for a period of 6 years i.e. from 1 January 2010 until 31 December 2015.

### ***Budget of the scheme and annual breakdown, aid intensities***

14. The grant is provided for multi-annual projects (maximum of 4 years) and annual cultural projects according to the following three categories: i) Multiannual support of uninterrupted operations of subjects residing on the premises owned by the City of Prague<sup>7</sup>; ii) Multiannual support of uninterrupted operations of subjects not residing on the premises owned by the City of Prague and iii) Annual grants.

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<sup>5</sup> The seat or residence of the applicant is stated in the grant application form in order for the granting authority to be able to contact in writing the applicant.

<sup>6</sup> From CZK 200,000 for limited liability companies to CZK 20 million for joint-stock companies. Other legal forms – foundations, citizen-action publics, generally useful companies – have not prescribed a minimum amount of registered capital by law.

<sup>7</sup> If the entity operating in the premises owned by the city of Prague is not awarded a new four-year cultural grant then it loses automatically the possibility to use further the premises. The Capital of Prague publishes selection procedure for these premises (see the article 2.1. of the Grant System).

15. The maximum global budget of the scheme is estimated in 2,191 million CZK (around 88 million Euros<sup>8</sup>) which is conditioned to the existence of adequate and sufficient resources in the budget. The yearly breakdown of the budget is foreseen to be as follows:

**Table 1: Estimated maximum yearly budget of the scheme (million CZK and equivalent in EUR)**

Budget\Year	2010	2011	2012	2013	2014	2015	TOTAL
Million CZK	233	233	325	400	500	500	2,191
Equivalent in EUR							
Million EUR	9	9	13	16	20	20	88

16. As shown in table 2 below the annual budgets for one-year grants and, especially, for multiyear grants are expected to increase with the time. However, the real amount finally allocated to each type of grant every year will depend on the overall budget of the capital of Prague as approved for a given year by the Municipal Council.

**Table 2: Estimated maximum yearly budget of the scheme by type of grant (million CZK)**

Year	2010	2011	2012	2013	2014	2015	TOTAL
Multiyear grant	160	160	245	315	410	410	1,700
One-year grant	73	73	80	85	90	90	491
<b>Total</b>	<b>233</b>	<b>233</b>	<b>325</b>	<b>400</b>	<b>500</b>	<b>500</b>	<b>2,191</b>

17. The volume of funds effectively allocated to the various cultural fields will depend on the number and quality of grant applications in the separate culture fields and the required volume of funds. The table 3 below shows an estimation of the budget assigned to each cultural field based on past experience in providing grants to date.

**Table 3: Estimated maximum yearly budget of the scheme according to field of culture**

(in mil. CZK)	2010	2011	2012	2013	2014	2015
theatre	96	119	165	204	255	255
music	44	40	55	68	85	85
Dance and non-verbal art	23	20	29	36	45	45
graphic art, photographs and new media	27	14	20	24	30	30
literature	5	5	7	8	10	10
audiovisual art	7	5	7	8	10	10
other	31	30	42	52	65	65
<b>TOTAL</b>	<b>233</b>	<b>233</b>	<b>325</b>	<b>400</b>	<b>500</b>	<b>500</b>

18. Consequently, a considerable part of the total aid is being dedicated to supporting theatrical activities (see table 4 below).

<sup>8</sup> Exchange rate used 1 CZK = 0.04 EUR

**Table 4: Estimated % budget allocated to the different cultural fields**

(in mil. CZK)	2010	2011	2012-2015
<b>theatre</b>	41	51	51
<b>music</b>	19	17	17
<b>Dance and non-verbal art</b>	10	9	9
<b>graphic art, photographs and new media</b>	12	7	7
<b>literature</b>	2	2	2
<b>audiovisual art</b>	3	2	2
<b>other</b>	13	12	12
<b>TOTAL</b>	<b>100</b>	<b>100</b>	<b>100</b>

19. No limits have been set in advance to the maximum level of support to be granted to each specific field of culture.
20. The capital of Prague estimates and communicates to each beneficiary the maximum possible grant amount in advance on the basis of the deficit budgeted for the project. The beneficiary is paid initially an amount of maximum 70% of the expected difference between budgeted costs and budgeted revenues.
21. The total amount of aid may not exceed 70% of actual deficit of the projects. However, cultural projects for children may be granted 100%. Additionally, cultural projects for handicapped citizens and projects without admission fees may also be granted 100% coverage of deficit for one-year grants<sup>9</sup>.
22. The granting authority controls ex-post if the allocated aid amount exceeded these aid intensities and, if so, will claim return of funds granted in excess.

#### ***Eligible costs***

23. Eligible costs must be related to the execution of the cultural project<sup>10</sup>. Grants cannot be used for procuring investments such as land, constructions, buildings and their technical improvement or their depreciation<sup>11</sup>. Additionally, grants cannot be used to pay expenses such as entertainment, catering, gifts, expenses connected with the procurement of audio and video recordings of the recipient's art productions realized for sale purposes<sup>12</sup>.

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<sup>9</sup> See articles 2.1 and 3.1 of the Grant System

<sup>10</sup> E.g. Cost in the field of "graphic arts, photographs and new media" concern especially installation of exhibitions, material, insurance, transport, framing, technical support, lease of spaces and of technical equipment, cost of artists and authors.

<sup>11</sup> VAT constitutes an actually eligible cost only when it is not reimbursed to the grant beneficiary in accordance with the Value Added Tax Act.

<sup>12</sup> The grant principles and also the contracts stipulate that – inter alia – other costs connected with making audio and video recordings of artistic productions of the applicant, made for the purpose of sale, cannot be paid from the grant.

### *Selection process and criteria*

24. The capital city of Prague organises open and competitive calls for applications for the granting of aid under the scheme following the applicable rules (see point 6 above) which describe the applicant's requirements and selection process from publication till award of aid as well as its subsequent monitoring.
25. In particular, applications for subsidies will be subject to evaluation by a *Grant Approval Committee*, which is appointed by the *Advisory Board of the Capital City of Prague* pursuant to the proposal of the *Culture and Leisure Committee of the Municipal Council of Prague*. The *Grant Approval Committee* shall select and approve for each cultural field at least five expert evaluators, composing the *Expert Commission*, for the purpose of evaluating individually and anonymously the applications.
26. Certain formal requirements must be fulfilled by the applicants e.g. the application clearly identifies the relationship between the objectives of the project and goals of the grant system; the application contains all requested data and requirements; the applicant fulfilled all of its financial obligations with respect to the public budget in the past fiscal period; the applicant presented a clearly organized budget for the project/activity or the applicant disclosed in due manner the performance results of its prior activity, including required financial statements.
27. The applications received are recorded in individual groups and fields and evaluated based on the fulfilment of all formal requirements. A list of all received applications divided into groups and fields, containing project annotations, history of previously obtained funding and potentially further information is elaborated. Applications which do not meet formal requirements will be rejected and the reasons for their rejection will have to be specified and communicated to the applicant. The appropriateness of the budget presented and the financial situation of the applicant are assessed by an expert/auditor.
28. Multiannual applications are further assessed at three different levels i) the first level takes the previous activities of the applicant ("*applicant's credibility*") into account; ii) the second level takes quality of the project submitted into account ("*project's quality*") and iii) the third level evaluates the applicant's financial situation up to now, in particular the adequacy and recognisability of costs and the feasibility of the project's realization ("*project's economic parameters*")<sup>13</sup>.
29. The three levels have following maximum scores: 40 points for applicant's credibility, 30 for project's quality and 30 for the adequacy of the economic projections. The total score achieved by the project is calculated by adding the marks obtained in the three levels. Projects are then ranked according to individual groups and fields of specialization.
30. The annual grant approval rules are in essence the same, though with a more simplified structure of evaluation criteria. Each member of the *Expert Commission* scores the evaluated project based on the fulfilment of criteria and goals of the annual grant system<sup>14</sup> and prepares a written report on the given score, which is submitted to the *Grant Approval Committee*.

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<sup>13</sup> See more detailed information in annex 1.

<sup>14</sup> See more detailed information in annex 2.

31. A minimum number of points to obtain support is published already while announcing the grant proceeding for a given year.
32. The final number of points is calculated as an average of the points allocated to the applications by all experts. Based on the application evaluation and in accordance with the total approved budget, the *Grant Approval Committee* shall propose allocation of the grant funding to those projects which obtained the necessary score above the stipulated minimum.
33. The *Grant Approval Committee* issues a proposal which is submitted to the *Culture and Leisure Committee of the Municipal Council of Prague*, who discusses the proposal and submits its recommendation to the *Advisory Board of the Capital City of Prague*.
34. The *Advisory Board of the Capital City of Prague* is an executive authority of the capital city of Prague. The Advisory Board shall consider the recommendation for allocations of grants and make decision on allocation of grants not exceeding CZK 200,000. The recommendation for allocation of grants in the amount exceeding CZK 200,000 shall be submitted for decision making to the *Municipal Council of the Capital City of Prague*.
35. The results of the grant approval process shall be published on the web pages of the Capital of Prague, containing i.e. tables with applicant and project names, annotations, total project cost, requested funding, obtained evaluation score, required minimum grant approval score, approved amount of the grant, and the final conclusion of the Grant Approval Committee, which is requested for all grant applications.
36. Based on the decision of awarding the grant a contract shall be concluded with the selected applicant. It shall be a duty of the recipient of grant to implement the project for which it obtained the grant and to present detailed final accounts and a report on its implementation within a specified term. All grant applicants whose applications have been rejected shall receive an appropriate written notification stating the final evaluation score and the Committee's final conclusion in that respect.

#### ***Appeal procedure***

37. As stated above in point 1 the grant system has been updated on 17 February 2011 and includes now the possibility of appealing the decision taken by the Capital City of Prague. Within 15 days after publication of the decision of the Board/Council of the Capital City of Prague on allocation of grants on the city's website, the applicant is authorised to lodge an appeal<sup>15</sup>.

#### ***Granting authority***

38. The financing will be granted by the Capital City of Prague.

#### ***Form of the aid***

39. Financing will be granted in the form of direct grants.

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<sup>15</sup> See new joint principle of the grant policy in article 1.1 and further explanations in articles 2.4 and 3.4. The justification of the appeal will be assessed by members of the Board of the Capital City of Prague for culture within 30 days from delivery of the appeal, and the result will be submitted to the Board/Council of the Capital City of Prague for approval.

### ***Monitoring***

40. While stating the account of the implemented project, the grant beneficiary is also obliged to specify all revenues of the project.
41. The use of grant offered by the Capital of Prague is subject to a public audit aimed at inspecting the use of the provided grant funding and the reality of the cost and income<sup>16</sup>. The applicant shall be bound by the Contract to create suitable conditions for performing such an audit pursuant to Act No. 320/2001 Coll. and shall provide for this purpose all necessary documentation, including accounting, financial and statistical statements, reporting and statements and do so at any time in the course of the project the grant has been provided for and thereafter for 5 years from the final completion of the entire project.
42. Additionally the grant contract contains a special article of penal provisions, the basic one of which stipulates that the provider is entitled to claim return of the grant if the beneficiary breaches any of the obligations arising from the grant contract. The provider is also entitled to claim payment of a contractual penalty from the beneficiary.

### ***Cumulation of aid***

43. The Capital city of Prague strives developing a multisource funding of Prague's cultural activities. Therefore, the city promotes the co-financing of cultural projects from a variety of sources e.g. grants of the Ministry of Culture of the Czech Republic, of city districts, of the European Union, of specialized non-profit organizations, of foreign representations and cultural centres etc. As a consequence, the grant applicant's ability to ensure multi-source financing was introduced as evaluation criteria.
44. Therefore, the financing granted under the present scheme may be cumulated with other sources of financing awarded for the same purpose by any other public or private institution, to the extent that its sum does not exceed the "actual" losses (deficit) incurred in the implementation of the project. Consequently, beneficiaries cannot be compensated directly or indirectly for more than the total losses of the activity.
45. The control mechanism ensuring the respect of the cumulation rules is based on the obligation imposed on the beneficiary to declare all subsidies granted by other administrations or private entities to support the same activity. The respect of the principle that the total financial support obtained may only cover the losses incurred in accomplishing the project is checked during the assessment of an application. Moreover, 5 % of the distributed total amount of funds is subject to the follow-up checking each year. As a part of this checking, the beneficiary submits the originals of all accounting documents to the control bodies.

### ***Outstanding recovery orders***

46. The Czech authorities have committed to suspend the payment of the notified aid if the beneficiary still has at its disposal an earlier unlawful aid that was declared

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<sup>16</sup> E.g. audit controls involve for instance the monitoring of correctness of the procedures taken in public funds management, examination and verification of the facts relating to the operations, check calculations, analyses of the data contained in financial statements or other information systems and evaluation of their interrelations.



incompatible by a Commission Decision (either concerning an individual aid or an aid scheme), until that beneficiary has reimbursed or paid into a blocked account the total amount of unlawful and incompatible aid and the corresponding recovery interest.

### **3. ASSESSMENT OF THE AID MEASURE**

#### **State aid in the sense of Article 107(1) TFEU**

47. According to Article 107(1) TFEU, "*any aid granted by a Member State or through State resources in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods shall, in so far as it affects trade between Member States, be incompatible with the internal market*".
48. In order to be classified as a State aid, a support measure must therefore fulfil the following cumulative conditions: 1) the measure must be granted through State resources; 2) it has to confer an economic advantage to undertakings; 3) this advantage must be selective and distort or threaten to distort competition; and 4) the measure must affect intra-Union trade.

#### ***Presence of State resources***

49. In the case at hand there are state resources involved since the scheme is financed out of the budget of the Capital City of Prague.

#### ***Economic advantage to an undertaking***

50. The beneficiaries are natural or legal persons who carry out economic activities in the cultural fields mentioned in point 3 above and, therefore, they qualify as undertakings in the sense of Art. 107(1) TFEU.
51. The direct grants awarded to the beneficiaries constitute payments that they would not receive under normal market conditions. Furthermore, these payments relieve the beneficiaries from part of the costs they should have borne in carrying out the cultural project selected. Therefore, the measures foreseen under the scheme provide an economic advantage to certain undertakings.

#### ***Selectivity and distortion of competition***

52. The economic advantage granted under the scheme is selective in the sense that it benefits certain undertakings of the cultural sector that are involved in the activities supported by the scheme and meet the eligibility conditions. The beneficiaries compete with other undertakings that carry out the same cultural activities as those specified in the scheme (see paragraph 3 above), including those which do not benefit from the scheme. Consequently, the notified aid scheme may distort competition.
53. Moreover, although in principle, all natural and legal persons are entitled to apply for financing independently from their place of establishment, taking into account the geographical limitation of the majority of the activities to be supported, it may be

assumed that the aid will primarily benefit undertakings established in the Capital City of Prague or surroundings.

54. Nonetheless, in view of the relatively limited budget of the scheme and of the relatively high number of beneficiaries, the measure is unlikely to produce a significant distortion of competition. In particular in the case of activities taking place in the Czech language, any such distortion would probably be very limited in view of the limited substitutability with similar ones in other languages. The fact that the financing is awarded on the basis of an open call for applications, with predetermined selection criteria and valuation weightings, is also likely to reduce the distortion of competition caused by the measure.

### ***Effect on intra-Union trade***

55. Even if the geographic limitation of most activities is Prague, it cannot be excluded that the measure may affect intra-Union trade..
56. Taking into account that the scheme also supports cultural activities abroad<sup>17</sup>, it can neither be excluded that some activities supported have a potential effect in the market nor that the beneficiary companies may be active in several EU Member States and, therefore, it cannot be ruled out that the measure has a certain, albeit limited, effect on intra-Union trade.
57. Theatre and literature productions have by nature and due to its linguistic limitations a relative small capacity to affect intra-Union trade. However, the linguistic barriers are not so clear as regards music and dance. As for graphic art, photography or non-verbal art there is no such linguistic barrier which makes more feasible the performance of those activities abroad or the attraction of tourists to these performances which potentially bears more risk to affect intra-Union trade.

### ***Conclusion***

58. Therefore, the Commission considers that the scheme constitutes State aid in the meaning of Article 107(1) TFEU. Therefore, it is necessary to assess its compatibility under the provisions of Article 107(3) TFEU.

### **Compatibility**

59. The Commission is of the opinion that the cultural derogation provided for in Article 107(3)(d) TFEU, as any exception to the general rules of the Treaty, has to be interpreted restrictively.
60. Article 167 TFEU establishes as priority objective in the field of culture that "*The Union shall contribute to the flowering of the cultures of the Member States, while respecting their national and regional diversity and at the same time bringing the common cultural heritage to the fore*".
61. In the notification, the Czech authorities argued that the scheme is compatible with the internal market under Article 107(3)(d) TFEU which concerns *«aid to promote culture and heritage conservation where such aid does not affect trading conditions and competition in the Union to an extent that is contrary to the common interest»*.

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<sup>17</sup> presentation of Prague artists, Prague arts or representation of the city of Prague abroad

62. To this regard, it should be noticed that the purpose of the scheme is primarily the promotion of a broad range of cultural activities as evidenced by the variety of cultural fields allowed for support under the scheme (see paragraph 3 above).
63. The cultural character of the activities is also reflected in the set of criteria to be applied by the Evaluation Committee to select the different projects. A considerable part of the budget will support activities performed in the Czech language.
64. The Commission is therefore of the opinion that this ensures that aid is directed towards activities with truly cultural content and, therefore, falls within the scope of Article 107(3)(d) of the EC Treaty.
65. The Czech authorities consider that the present measure is necessary to protect, foster and disseminate cultural activities, which will mainly take place in the city of Prague and to facilitate the access of the general public to them.
66. The activities to be financed under the scheme are unprofitable so that one could ascertain that many of them would not be carried out without external support. Accordingly, it can be considered that the measure is necessary and that it is in the form of an incentive aiming to spur private investment.
67. The overall budget of around EUR 88 million seems limited considering the numerous activities and the significant number of beneficiaries expected (more than 1000) to be supported during the 6-years period of validity of the scheme.
68. According to the information provided by the Czech authorities in 2010 the main portion of the grant was allocated to 37 projects in the form of multiannual grants amounting around CZK 160 million whereas the remaining portion of the grant was dispersed over a significant number of annual projects<sup>18</sup> amounting CZK 72 million which would mean on average for the year around EUR 175,000 per multiannual project and EUR 8,000 per annual project.
69. If a maximum of 500 beneficiaries are foreseen yearly during the period 2010-2015 (6 years), the average individual aid would be expected to amount to approximately EUR 30,000 a year per beneficiary. Taking into account that aid will only be granted to cover losses incurred in the project (the maximum aid intensity under the scheme may go up to 70% generally and up to 100% in exceptional cases<sup>19</sup>) and the limited importance of the estimated average aid per beneficiary it can be concluded that the aid is considered to be the minimum necessary to carry out the activities.
70. The fact that aid is awarded through an open call for applications based on eligibility and selection criteria which are clearly defined and published acts as an incentive for the performing of activities falling under the scheme. Moreover, the scheme contains dispositions for the verification concerning the existence and reliability of the requests as well as for the recovery of unduly granted funding.
71. Although the financing received under the scheme may be cumulated with other forms of public or private support, the total financial support obtained may only cover the losses incurred in accomplishing the project.

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<sup>18</sup> 368 projects

<sup>19</sup> For cultural projects for handicapped persons, for children and for projects without any entrance fee.

72. Due to the fact that the economic aspects of the projects<sup>20</sup> presented are part of the evaluation process provides for additional reassurance that the projects will be fulfilled within the estimated budget and schedule<sup>21</sup>. In addition to it, the ex-post audit described in the section monitoring<sup>22</sup> above provides for further assurance about the reality of the costs and income declared.
73. Moreover, as highlighted above, the distortion of competition arising from the measure and its effect on trade are likely to be limited for most of the activities. The budget under the present scheme will be dispersed over 7 different cultural fields towards a considerable number of projects and thus is not liable to appreciably influence in the market. Additionally, the scheme is only supporting loss-making projects which would probably not be carried out without public support.
74. Moreover, around 2/3 of the total support under the scheme is expected to be directed to theatre activities which by nature and due to its linguistic limitations have a relative small capacity to affect intra-Union trade (see point 57 above). The Czech authorities emphasizes the "regional" importance of the projects subject to grants under the scheme given that it does not aim attracting foreign public to attend these cultural events.
75. The European Union interest is also ensured by the eligibility and equal treatment of applicants based in other Member States. The basic language of all supported cultural projects is the Czech language, and the announcement of the grant procedure for the following year shall be published in the press or at the website of the city to be accessible for all citizens. All who fulfil the clearly formulated rules for filing a grant application may participate in the procedure regardless of their legal personality.
76. Based on these considerations, the Commission considers that the measure is both necessary and proportionate to the objective of promoting culture in the city of Prague and does not affect trading conditions and competition in the Community to an extent contrary to the common interest.

## CONCLUSION

77. On the basis of the foregoing assessment, the Commission has decided that the measure is compatible with the internal market pursuant to Article 107(3)(d) TFEU.

If this letter contains confidential information which should not be disclosed to third parties, please inform the Commission within fifteen working days of the date of receipt. If the Commission does not receive a reasoned request by that deadline, you will be deemed to agree to the disclosure to third parties and to the publication of the full text of the letter in the authentic language on the Internet site: [http://ec.europa.eu/eu\\_law/state\\_aids/state\\_aids\\_texts\\_cs.htm](http://ec.europa.eu/eu_law/state_aids/state_aids_texts_cs.htm).

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<sup>20</sup> i.e. adequacy of the cost for its realization, transparency, purposefulness and economy of the planned budget, adequacy of its revenue, and capability to obtain further resources to fund the project.

<sup>21</sup> E.g. see 3.2 of the evaluation score form for multiannual grants in Annex I and 3.1 for annual grants in Annex II.

<sup>22</sup> See paragraphs 40 to 42

Your request should be sent by registered letter or fax to:

European Commission  
Directorate-General for Competition  
State Aid Greffe  
SPA 3 6/5  
B-1049 Brussels

Fax No: +32 2 296 12 42

Yours faithfully,  
For the Commission

*Joaquin ALMUNIA*  
Vice-president of the Commission

<b>EVALUATION SCORE FORM FOR <u>MULTIANNUAL GRANTS</u></b>	<b>Score points from particular evaluations levels</b>
<b>1. The applicant's past performance (credibility) – MAXIMUM 40 SCORE POINTS</b>	
<b>1.1. The artistic (professional) quality of the applicant's past performance</b>	
12-16 score points: an original unique activity and artistic production developing an art field or activity, which on a high level reflects, connects and develops professionally /genre-wise/ diverse cultural environment on the territory of the Capital of Prague, regular domestic professional reflection, participation of highly recognized international and national artists in the activity or artistic production, unique position in the national context or in the context of the cultural environment of the Capital of Prague, and co-production with recognized foreign partners.	
8-11 score points: Systematic performance of very high quality and artistic production with elements of innovation, integration of various fields of culture activities, regular national and professional reflection, participation of recognized artists and specialists in the activity or production, recognized position in the context of the cultural environment of the Capital of Prague, and co-production with recognized foreign partners.	
0-7 score points: Usual artistic performance and production, infrequent professional reflection, participation in less recognized national art events, only local recognition within the cultural environment of Prague.	
<b>1.2. EDUCATIONAL AND PUBLIC-SOCIAL IMPORTANCE OF THE ACTIVITY</b>	
0-8 score points: Special focus of the artistic production and activity on minority resident groups (children, youth, retired people, ethnic minorities, patients or handicapped people etc.), schooling, preventive and educational aspects of the projects/activity.	
<b>1.3. Public opinion of the past performance</b>	
12-16 score points: Excellent attendance (71-100%) or high number of project participants, extensive publicistic review of the artistic production and activity in the media.	
8-11 score points: Average attendance (41-70%) or high number of project participants, publicistic review of the art production and activity in the media.	
0-7 score points: Low attendance (up to 40%) or low number of project participants, minor publicistic review of the artistic production and activity in the media.	
<b>2. The quality of the submitted project – MAXIMUM 30 SCORE POINTS</b>	
<b>2.1. Professional and artistic goals of the projects</b>	
12-22 score points: Original, unique goal of the activity or production with possible impact in the international context, development of a field or combination of fields by the project, participation of highly recognized artists in the activity and production, co-production with recognized foreign partners, unique project in the context of the cultural environment of the Capital of Prague.	
6-11 score points: A quality goal of activity or production with impact in the national context along with a recognized position within the cultural environment of the Capital of Prague, participation of highly recognized artists and professionals in the activity or production, co-production with well-known national partners, development of the originality of the artist or a specific area on the territory of the CP.	
0-5 score points: Usual, routine objectives of the activity or production, local scope of the project	
<b>2.2. Educationally and public-socially focused projects</b>	

0-8 score points: Special focus of the production and activity on minority resident groups (children, retired people, ethnic minorities, patients or handicapped people etc.), educational aspects of the project.	
<b>3. Economic aspects of the projects – MAXIMUM 30 SCORE POINTS</b>	
<b>3.1. Evaluation of the applicant's past performance</b>	
11-20 score points: The fulfilment of the budget not involving significant loss, transparent and practical use of the granted funding, other sources of financing, supported by at least 25% of own funds depending on the type of the activity, regular audit and publishing of annual reports adhering to all applicable regulations.	
6-10 score points: Modest deviation from the budget in the management results, reasonable use of financial means, possibly with inherent deficiencies or ambiguities, self-sustainability of 15% - 24% depending on the type of the activity, annual performance reports are disclosed even though the audit is not performed on regular basis.	
1-5 score points: Questionable transparency of the past performance results, unclear use of the financing means, low level of self-sustainability depending on the type of activity, insufficient disclosure of performance data (audit, annual reports)	
0 score points: Insufficiently transparent results of past performance	
<b>3.2. Adequacy and accountability of costs, likelihood of a successful project fulfillment</b>	
8-10 score points: The proposed budget appropriately corresponds to the goals and realization of the project, the project can be fulfilled within the estimated budget and schedule, the envisaged costs are identifiable and in line with qualified expert evaluation.	
4-7 score points: The proposed budget appropriately corresponds to the goals and realization of the project, shows inherent ambiguities, there are inherent doubts about probable fulfilment of the project based on the proposed budget and schedule (state specific reasons).	
1-3 score points: Questionable correlation between the proposed budget and goals and method of realization of the project, the budget shows significant insufficiency of transparency and conflicting information, great doubts about the possibility to realize the project successfully based on the proposed budget and schedule (state specific reasons)	
0 score points: The proposed budget is insufficient to meet the goals and to sustain realization of the project.	
<b>TOTAL SCORE OF ALL LEVELS – MAXIMUM 100 SCORE POINTS</b>	

**THE EXTERNAL EVALUATOR shall attach factual reasoning of the score:**

.....  
.....

**Date:** .....

**Signature** .....

**THE MEMBER OF THE GRANT APPROVAL COMMITTEE shall attach factual reasoning of providing/withholding the grant that will be subsequently published:**

.....  
.....

**Date:** .....

**Signature** .....

<b>EVALUATION FORM FOR EVALUATORS (MEMBERS OF THE GRANT COMMISSION AND EXPERTS) IN THE GRANT PROCESS FOR ANNUAL GRANTS</b>  <b>Project number and title: .....</b> <b>Evaluator's name: .....Branch: .....</b>	<b>Score in individual areas</b>
<b><u>1. Evaluation of the applicant's previous activities (credibility) – up to 20 points</u></b>	
<b>1.1.</b> This area comprises, above all, the artistic quality of the applicant's previous activities and their professional and social reception. An applicant documents the professional reception with published critical reviews of its activities or in another conclusive way. It proves the social reception above all with the number of realized public presentations of its activities (performances, concerts, new exhibitions, etc.), average attendance, average earnings, average ticket price, etc. This evaluation area also comprises the evaluation of a possible previously realized grant project/activity.	
<b><u>2. Quality of the project submitted – up to 40 points</u></b>	
<b>2.1.</b> In this area, conformity with the Culture Policy Concept of the City of Prague is evaluated with the following criteria:	
0 – 9 points: Artistic quality	
0 – 9 points: Uniqueness	
0 – 9 points: Project preparation and quality of application preparation	
0 – 7 points: Integration of specific groups of Prague residents into artistic and cultural activities	
0 – 6 points: Project sustainability	
Above all, the artistic (professional) quality of the project/activity is assessed: originality, non-interchangeability and importance in the context of the relevant artistic branch or type of space (multidisciplinary facilities) as well as in the context of the cultural offer of the capital. Other assessed aspects include qualifications to convey a topic with high artistic standards, educational, and social and societal aspects of the project (integration of specific groups of Prague residents into artistic and cultural activities as their organizers, spectators, listeners or visitors). The assessment in this area also includes the quality of project preparation, capability to specify the goals and visions in a clear, specific and credible way, as well as the project sustainability.	
<b><u>3. Economic parameters of the project – up to 40 points</u></b>	
<b>3.1.</b> The evaluation in this area includes, above all, meeting the criteria of project cost adequacy and reasoning of the application. This criterion values primarily economic aspects of the project – adequacy of the cost for its realization, transparency, purposefulness and economy of the planned budget, adequacy of its revenue, and capability to obtain further resources to fund the project. This assessment also includes the evaluator's proposal for adjustment of the above-requested grant, possibly for the purpose specification of the grant.	
<b>TOTAL SCORE OF ALL AREAS – UP TO 100 POINTS</b>	

**THE EVALUATOR shall attach factual reasoning of the score:**

**In Prague on ..... Evaluator's signature:.....**



