STANDARD SUMMARY PROJECT FICHE

1. Basic Information
   01
   1.1 Désirée Number: CZ2003/005-601.08.05
   1.2 Title: OP Industry and Enterprise – Measure 1.1 SME Development
   1.3 Sector: Economic and Social Cohesion
   1.4 Location: Czech Republic – Objective I. regions

2. Objectives
   2.1 Overall objective
   Prepare for implementation of the Operational Program Industry and Enterprise (OPIE) and improving competitiveness of SMEs.
   2.2 Project purpose
   • To develop effective implementation mechanism and programmes for SME grant schemes in the context of measure 1.1 of the OPIE (improving competitiveness) in line with 1260/1999 Regulation.
   • To support the technical development, innovations (TD&I) and quality management in productive sector SMEs.
   2.3 Accession Partnership and NPAA priority
   • NPAA also cites the need to complete key structural changes in industry stemming from the transformation process including the need to substantially increase work productivity in industry and the quality and efficiency of production in order to bring performance indicators closer to the EU average.
   • Accession Partnership Economic Criteria: priority to promote competitiveness of the private sector including SME’s.
   2.4 Contribution to National Development Plan
   This priority is based on the priority axis 1 – Enhancing the competitiveness of industry and entrepreneurial services in the National Development Plan, and on the priority Development of Local Business Activities, approved by the Government Resolution no. 401/2002. It is complementary to the Operational Programme Industry. While the OP is focused on support of enterprise in industry and in industrial services, on restructuring the industrial production basis, on increasing the competitiveness of the industrial production, support of research and development in industry and development and increase of effectiveness in the energy industry, the JROP addresses the issue of the development of small-scale entrepreneurs (of up to 10 employees) and craftsmen in the municipalities and regions and the preparation of areas of up to 10 ha and property for business.
   2.5 Cross Border Impact
   N.A.

3. Description
   3.1 Background and Justification
   The Czech Republic will soon enter the EU and its economy is changing rapidly to adjust to the new circumstances it will face on entry. A key consideration for the economy is the need to increase in value added in the manufacturing sector. Currently a window of low cost advantage exists for Czech companies but this will be short-lived especially with accession to the EU. Industry will have to move towards higher value added goods and services if they are to continue to make a major contribution to the Czech economy through maintaining and improving international competitiveness.

   On the basis of the consultation process (as described in the annex 4) the measure 1.1. Of the OPIE was chosen for support by Phare:
Measure 1.1 (OPIE)- Development of small and medium-sized enterprise

The objective of this measure is to encourage new activities and to stabilise the existing small and medium-sized enterprises concentrated on their own manufacturing activities or business services making them possible to stand the competition in the particular area. Projects of entrepreneurs in less developed and structurally affected regions shall be promoted. In industrial and business services, assistance shall be provided to small and medium-sized enterprises in strengthening their ability to compete and by creating production - trade - services chains, which generate added value at higher level:

- By increasing the level of employment in small and medium-sized enterprises;
- By increasing the performance of small and medium-sized enterprises and their contribution to the gross domestic product;
- By developing subcontractors in the sector of small and medium-sized enterprises for large manufacturers;
- By extending the use of research and development results, patents and know-how in enterprises;
- By improving the availability of information for business decision-making in enterprises;
- By enhancing the quality of provided industrial services as a method of increasing the effect of their acting on the development of industrial production and overall development of entrepreneurial subjects in this sphere in the territory of the Czech Republic.

The measure includes the support to procedures accommodating the existing economic, financial and organisational relations and informational and material flows to new production conditions, with the aim to modify and change the existing structures and flows, so as to simplify them and, consequently, to decrease the production costs.

Recent projects undertaken to support SME’s in the country have identified a number of significant barriers facing companies wishing to move towards higher value added products and services. On the one hand much plant and capital equipment is out of date and inefficient compared to near competitors in the EU and elsewhere.

The OPIE SWOT analysis shows that one of the key barriers for SME development is the lack of available investment capital. However, it is clear that limiting public intervention to hard measures (financial support for capital investment) may be insufficient. Many companies will not reap the benefits of new investment unless they are able to adjust their business strategies and processes to take advantage of the new investment.

Thus there is a need for a combination of hard (capital investment) and soft (consulting and training) measures to be prepared for Czech companies, as is generally the case among successful member state economies. The recent pilot supplier development programme run through MIT has also identified the need for this approach. Its final report concluded that:

1. The project had a significant and measurable impact on helping SMEs taking part to improve their softer management skills in key areas that affected their ability to achieve international standards of competitiveness.
2. SMEs taking part in the programme gained new international customers through improvements undertaken and suggested by external advisors.
3. Participating companies increased the value added content of their products and gained new orders from this process.
4. All SMEs participating in the programme wish to continue receiving advice and support into its second phase of operation.

The programme has shown that there is sufficient absorption capacity for these services in the SME sector.

Thus, this fiche proposes two complimentary programmes. They are designed to produce the synergistic effect identified above as well as, meet the key project purpose and overall project objective.

3.2 Linked activities

- **Phare 1997** (CZ 9705-01) programme, advice was provided on the initial development of policies, programmes and structures for the implementation of Structural Funds.
- **Phare 1998** programme (CZ 9807-01) "Establishment of National Development Strategy & Support Structure for SFs & CF" the Twinning project managed by MRD was completed in June 2001, and provided short-term assistance to the MoIT to analyse present implementation structures and provide assistance on the SOP document.
• **Phare 1999** (CZ 9902-01). The results of the programme will provide for a co-ordinated approach for involvement of various agencies (RDAs, BDAs & RPICs/BICs) delivering advice and support to SMEs at the regional level.

• **Phare 1999** (CZ99 OT 03). A supplier linkage program – phase I of twinning program. Program assists Czech owned SMEs (initially in the pilot phase from the Electronics Sector) to improve their international competitiveness through improvements to their softer management skills and thereby gain more business from MNCs that have established a manufacturing base in the Czech Republic.

• **Phare PPF** (CZ 9916). Feasibility study to identify industry groupings (clusters) in North Moravia. The project was completed in October 2002 and provided analysis of actual and potential international competitive advantage of particular sectors and identified how this potential could be most effectively developed through specific and targeted business development program aid schemes. The study outcomes proposed activities for EU funding under Phare 2002 and 2003 resources some of which are included in this fiche.

• **Phare 2000** programme (CZ 2000-09-01) “Consolidation of the National Development Strategy” the Twinning project commenced in September 2001 and will be completed in February 2003. It is expected that through the assistance provided by this project a **revised SOP Industry** will be prepared and the structures for implementation of SF-like programmes focused on productive sector development will be established, trained and operational.

• **Phare 2000** programmes CZ 2000-09-02 and 03 investment will go to 2-selected target NUTS II regions (Ostravsko and North-West Bohemia). Their implementation will provide experience necessary for successful implementation of newly proposed projects. Within activities of the submitted project capability of all **Phare 2001** (CZ.01-10-03) “Finalising of structures and measures to increase absorption capacity at the national and regional levels” will be addressed the existing absorption and development capacity problems by training and targeting "hands-on" support to development agents and potential project promoters on the ground. Furthermore the project is to develop skills and competence among persons to be involved in relevant managing, monitoring and payment authorities at both central and regional level.

• **Phare 2001** (CZ 01-10-01) Industrial zones Strategy. To develop a national strategy for the establishment of industrial property market in the Czech Republic after completing a regional assessment of the North Moravia area combining greenfield and brownfield developments. Project will include property market assessment as well assessment of its failure that the Government intervention will need to address. The assessment will be presented in a way of comprehensive strategy, which should outline the development plan for the region and offer a methodology to be used for replication throughout the Czech Republic.

• **Phare 2001** (CZ01-10-02) Brownfield Regeneration Strategy. Project is designed to map the brownfield and regeneration opportunities in two regions and prepare five sites for further funding under future structural funds. The strategy developed under this project should kick start the regeneration of derelict brownfield sites in the Czech Republic through a combination of public & private investment, & to use these sites to host job-creating businesses & act as foci for value-added activities.

• **Phare 2002** (CZ02 1B OT 04) Supplier linkage program – Phase II. See explanation above for pilot Supplier Linkage Twinning project. This programme is now being rolled out to additional sectors of the Czech economy targeted for inward investment.

• **Phare 2002** (CZ2002/000-282.10.04) Start up compliance and system audits of SF/CF implementation structures: This technical assistance project addresses an AP priority and aims to provide a comprehensive gap assessment in the form of independent systems audit. All Managing Authorities, the Paying Authority and the relevant intermediary bodies shall be subject of the audit. The project should result in an independent confirmation of the implementing arrangements for the use of the Structural Funds and the Cohesion Fund, and the duties described in Council Regulation 1260/99, and 438/01, 448/01, 1159/00 and 1685/01 in particular. The project should ensure that the Paying Authority is able to perform all its duties as required by the relevant acquis. The project is directly linked to the results of CZ02.10.01 to 03 projects. The project should be based on the outputs of assistance programmed under existing relevant Phare projects CZ9903.01.01 and CZ9109.01. The project is conditional on respect by the Czech authorities of their commitments made within the framework of negotiations on Chapter 21.

*Other related projects:*

• Management & Control of the EC Funds and National Public Sources/Preparation for EDIS (CZ01-09-01) - technical assistance project for MoF carried out through twinning assistance provided by the state administration of the Member states (Ireland and France) and through the private sector inputs. Projects to prepare for EDIS for ISPA and Phare (stage 1 for Phare and ISPA scheduled to start beginning of 3rd quarter 2002, stage 2 to be completed by the first quarter of 2003, 3rd stage to be completed by 3rd quarter 2003). Input to be provided by private TA and through the twinning project above.
• Project No CZ-00-04-05 Strengthening Regulation and Enforcement of the Public Procurement Acquis - the outcomes of this project shall be used especially for assessing the tendering and contracting procedures.

• Some Phare implementing agencies (Centre for Regional Development, Czech Industry and National Training Fund) that are envisaged to become intermediary bodies for respective operational programmes have been audited for grant schemes to be implemented under Economic and Social Cohesion component of the Phare Programme 2003. (Project No SSTA 1999 - ZZ 9909 Assessment and audit of the Phare Implementing Agencies and associated intermediaries’ capacity for the implementation of grant schemes financed from the Phare 2003 programme.)

3.3 Results

• Increased capacity of Implementing Agency and Managing Authority to design and manage structural fund type grant schemes.

• New technological equipment or machinery, new technological know-how and/or new products were implemented leading to increased competitiveness of SMEs as evidenced by additional and greater value added of manufactured products

• Increased number of productive sector SMEs newly engaged in the new technologies and/or knowledge-based production.

• Improved quality of production and sustainability of supported SMEs.

• Distribution of quality management and good business practice among SMEs.

• Creation of Czech Benchmarking Index and developing capacity of the MIT agency to apply it.

• Creation of Czech Consultancy Register

Objectively verifiable indicators

Outputs Indicators

• Number of SMEs receiving financial support (100)

• Number of SMEs receiving advisory services (150)

• Ratio of men/women company ownership and staffing (is monitored)

• Men/Women owners receiving advisory services (is monitored)

• Number of SMEs engaged in activities based on new technologies (80)

• Creation of a Czech language benchmarking index

• Number of companies participating in improvement programs (100)

Results Indicators

• Direct private investment (beneficiary) in financially supported firms (in Meuro and % of total investment)

• Number of new products/processes introduced (90).

• SMEs satisfied with services provided (90 %)

• Number of women project owners in private projects (is monitored)

• Number of SMEs becoming new exporters (10)

• Number of companies evaluated for competitiveness (250)

• Number of consultants listed in CRR (150)

• Number of consultants developed (50)

Impacts Indicators

• Increase of labour productivity in the supported companies after 2 years from completion of the project (750 000 Kc per employee).

• Survival rate of SMEs receiving financial support still in business after 2 years from completion of the project (90 %).

• Increase of turnover in the supported companies after two years from completion of the project (19 mil. Kc).

• Growth of added value created by the supported companies after 2 years from completion of the project (4,5 mil. Kc).

• Number of new jobs created (or safeguarded) in the supported companies after 2 years from completion of the project. Based on 150 companies receiving consulting support and further 100 with investment support we ought to be able to generate minimum 150 new jobs.

• EFQM score improvement by 7-10% in the supported companies after 2 years from completion of the project.

Sources of verification

• Project reports of the companies.
3.4 Activities

There is one service contract and one grant scheme to achieve the stated objectives. The grant scheme aims to provide grants to support capital investment for innovative or new technologies. The service contract aims to provide a range of consultancy driven “soft” measures aiming at improving quality management and development of sustainable and competitive business plans.

The activities proposed are consistent with the priorities and measures identified in the respective regional and sectoral operational plans.

3.4.1 Activities under the investment grant scheme

The grant scheme aims at purchase of new technological equipment, technology, know-how and/or technological new facilities contributing to the restructuring or development of the production process.

The eligible expenditure is:
- Investment into fixed assets.
- Purchase of new technological equipment, new technology, know-how (including IT systems).
- Reconstruction of buildings, necessary for investment installation.
- Introduction and certification for ISO 9000:2000, EFQM or TQM.
- Project audit.

Minimum/Maximum Phare contribution per Grant Agreement will be 50,000 - 225,000 €. Public grant range is between 70,000 – 300,000 €.

Eligibility criteria for Capital Investment grant scheme:

Apart from standard PRAG eligibility criteria (art 2.3) the applicant must fulfil these additional eligibility criteria:
- The project will be implemented in Czech Objective 1/NUTS II regions.
- Public grant range is between 70 – 300,000 €.
- Applicant must be SME with more than 10 full time employees.
- Minimum three years of economic activity
- Sectors of industry and commerce defined by Industrial Classification of Economic Activities (OKEC) as detailed in Annex 5

3.4.2 Activities proposed under the Company Competitiveness Project (Technical Assistance)

Consultancy Company selected through an international tender will manage the Company Competitiveness Project (CCP). The consultants will (by learning-by-doing) transfer their know-how to the core staff of CzechInvest and its intermediaries who aim to provide this assistance in the future. The program will consist of three complementary components:

**Czech Consultancy Register:** (CCR) Creation of a register of 150 consultants according to international best practice skills and competence classification. Development of 50 selected consultants through a program of mentoring, hands on support and training to conduct business reviews using the Benchmarking Index and other competitiveness tools and techniques.

**Czech Benchmarking Index:** based on International Benchmarking Index created through a collaboration between the CI and UK’s Department of Trade and Industry, this index will be used as a tool to evaluate relative company performance based on a number of financial and non financial performance indicators and identify areas for intervention by the competitiveness improvement program. During the project 250 Czech companies should join the index.

**Company Competitiveness Grant** scheme: evaluation of over 250 companies and development and implementation of at least 100 competitiveness improvement programs using a cost sharing grant scheme model which will deliver support in one or more of a number of critical areas including:
- Business Strategy - IIP, EFQM – evaluation and implementation
- Marketing – market research, marketing strategy development, implementation of strategy, E-commerce – evaluation, strategy and implementation of E-commerce solutions
- Finance – profit improvement/cost reduction initiative – evaluation and implementation
- Quality – support for ISO (and or other quality management) implementation and certification
• Exporting – audit of company export capacity, development of strategy, implementation of strategy
• Innovation – innovation audit, strategy development and implementation
• Manufacturing – manufacturing efficiency audit, process improvement strategy and implementation

Support levels for companies participating in company improvement programs will range from a minimum of €10,000 to a maximum of €75,000 with 50% cost sharing.

Eligibility criteria for the Company Competitiveness project are as follows (to be applied by the private consultancy company for selecting app. 250 SMEs for assistance):

• Companies must fall within the EU definition of SME set out in the Commission Recommendation of 3rd April 1996 (OJ L 107 30.04.96 page 4).
• Companies should have a minimum of 10 and a maximum of 250 full time employees.
• Support levels for companies participating in company improvement programs will range from a minimum of €10,000 to a maximum of €75,000 with 50% cost sharing.
• Revenues in the last accounting period should not have been less than €2,000,000 and not more than €50,000,000.
• Assets should not exceed €30,000,000.
• More than 75 percent of the company capital voting rights has to be held by beneficiary company
• Companies must be financially stable and should have a positive trend in gross profit over the last 3 financial years.
• There must be commitment, at senior management level, to devoting the necessary resources and to achieving results as evidenced by written commitment by the board or general manager of the company to improve competitiveness plus cost sharing.
• Companies should have a good track record of business improvements e.g. ISO 9000 or TQM, EFQM
• The company has a return on capital equipment, compatible with sector norms in the Czech Republic and or within the range of similar averages within the EU.
• The company has a value added per employee compatible with sector norms in the Czech Republic and or within the range of similar averages within the EU.
• Company must be located in the Czech Republic.

Selection criteria for both projects:
• Sustainability of the project
• The project aims at introduction of new technology or leads to innovative approaches to production or service delivery.
• The project will improve the competitiveness of the recipient
• Managerial capability for execution of the project
• The company has 3 years positive trend in the revenue.
• The company is certified for ISO 9000:2000, assessed for EFQM or TQM or actively pursuing the certification or assessment. If the company is not certified those projects that include such certification will be preferred
• The company has got Return on Investment comparable with sector norms
• The company has got value added per employee comparable with sector norms
• The project includes environment-friendly technologies, clean and economical energy technologies.

Publicity measures for both schemes:
• The both schemes will be announced in the Commercial Journal (Obchodní vestník), Internet and newspapers.
• The company contracted based on the service contract will be obliged to publicise the process of selection of the companies in a transparent and competitive way.

3.5 Lessons learned
The outputs of the previous projects have been fully taken into account in project preparation. The experience gained from the realization of the Phare 2000 GS Productive Sector Investment showed that the implementing structure consisting of the DEC, PAO, implementing agency, executive agency was too complex and inflexible. That was one of the reasons for delays in the process of preparation of guidelines for contracting procedures at the level of beneficiaries. The implementation system of this project will eliminate one management layer.

4. Institutional Framework

Ministry of Industry and Trade
The MIT Department of EU Integration and Structural Funds was appointed as the Managing Authority for the OPIE. It will also perform the function of the PAO for this project.

At past the MIT agency CzechIndustry was charged with preparation for implementation of this project (EDIS). However, there was an amalgamation of 3 MIT agencies (CzechInvest, CzechIndustry, BDA). One of the results of amalgamation was that Regulation No. 13/2003 of Minister of Industry and Trade transferred EDIS obligations to CzechInvest at 21 May 2003.

The MIT Department of Budget and Finance was appointed as Paying Unit for OPIE. It will also perform the paying function for this project based on agreement with PAO.

A Monitoring Committee of Operational Programme of Industry and Trade stands to monitoring function for this project as well. At negotiations of the Monitoring Committee will be invited representatives of EC, CFA and others institutions participating in the program administration.

5. Detailed Budget (mil. €)

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<tr>
<th>Project Component</th>
<th>Phare Support</th>
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<td></td>
<td>Investment Support</td>
<td>Institution Building</td>
<td>Total Phare (=I+IB)</td>
<td>National Co-financing</td>
<td>IFI</td>
<td>TOTAL</td>
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<td>(1) Service contract</td>
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<td>(2) Grant scheme</td>
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<td>13,0</td>
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<td><strong>Total</strong></td>
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* - Expected co-financing is described in the part 11.

6. Implementation Arrangements

6.1. Implementing Agency

The CzechInvest is the Implementing Agency for the project. In its role as IA, the CI will assume the overall responsibility for administrative (reception of project proposal and contracting), financial and technical management of EU assistance to this project. Selection committee nominated by PAO will do the selection of project.

The PAO is the Director of the EU Integration and Structural Funds Department at MIT Mr. Richard Hlavatý. The designated Programme Authorizing Officer (PAO) is responsible for the operations of the IA.

The MIT Department of Budget and Finance will perform the paying function for this project based on agreement with PAO.

6.3. Non-standard aspects

N.A.

6.4. Contracts

(1) Service contract . 2 M€
(2) Grant scheme 13 M€

It is expected that about 100 applications will be financed. Maximum number of projects is 260.

7. Implementation Schedule

7.1. Start of tendering of TA/ grant scheme - call for proposals 1Q/04
7.3. Start of project activity 2Q/04
7.3. Project Completion 4Q/05

8. Equal Opportunity

Equal opportunity principles and practices in ensuring equitable gender participation in the Project will be guaranteed.
9. Environment
One of selection criterions for project is environment friendly technology. The criterion secure responsible attitude to environment values within submitted projects. Where applicable, EIA will be required.

10. Rates of Return
N.A.

11. Investment Criteria
Sustainability
Overall purpose of project is to develop effective implementation mechanism and programmes for SME grant schemes in the context of measure 1.1 of the OPIE (improving competitiveness) in line with 1260/1999 Regulation. On that account, the project could be consider as a preparatory phase for Structural funds, thus sustainability is guaranteed by accession of the Czech Republic to EU and possibility to draw SF.

Co-financing
Investment grant scheme
Minimum/Maximum Phare contribution per Grant Agreement will be 50,000 € - 225 000 €. Public grant range is between 70 – 300 thousand.

Company Competitiveness Project (Technical Assistance)
Support levels for companies participating in company improvement programs will range from a minimum of €10,000 to a maximum of €75,000 with 50% cost sharing.

Compliance with state aid provision
The project will respect, until the Czech Republic accession to the EU, the state aid provisions rules contained in Czech law system. These rules are fully consistent with EU State Aid Rules.

12. Conditionality and Sequencing
Preconditions:
• State aid: the grant scheme was approved by UOHS (competition office).
• Financial resources from the state budget for co-financing were allocated.

ANNEXES TO PROJECT FICHE
1. Logframe planning matrix
2. Contracting and disbursement schedule
3. Contracting and disbursement schedule by quarter
4. Summary description of consultation process within Phare 2003
5. Industrial Classification of Economic Activities – eligibility
**LOGFRAME PLANNING MATRIX**

**Project Title:** OP Industry and Enterprise – Measure 1.1 SME Development

<table>
<thead>
<tr>
<th>Overall objective</th>
<th>Objectively verifiable indicators</th>
<th>Sources of verification</th>
<th>Assumptions</th>
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<tbody>
<tr>
<td>Prepare for implementation of the Operational Program Industry and Enterprise (OPIE) and improving competitiveness of SMEs.</td>
<td>• Acknowledgement by EC</td>
<td>• EC</td>
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<tr>
<td>Project purpose</td>
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<tr>
<td>• To develop effective implementation mechanism and programmes for SME grant schemes in the context of measure 1.1 of the OPIE (improving competitiveness) in line with 1260 Regulation.</td>
<td>• Program Complement confirmed by the Monitoring Committee</td>
<td>• Monitoring Committee minutes.</td>
<td>• Implementation structures prepared for other measures prepared for OPIE.</td>
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<td>• To support the technical development, innovations (TD&amp;I) and quality management in productive sector SMEs.</td>
<td>• Implementing agency reports/ISOP</td>
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<td>Results</td>
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<td>• Increased competitiveness of SMEs (New technological equipment or machinery, new technological know-how and/or new products were implemented)</td>
<td>• Number of SMEs receiving financial support (100)</td>
<td>• Project reports of the companies.</td>
<td>• New EDIS system functioning in practise.</td>
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<td>• Number of SMEs receiving advisory services (150)</td>
<td>• Project monitoring reports of the implementing agency/ISOP.</td>
<td>• Well-implemented business plans by supported companies.</td>
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<td>• Ratio of men/women company ownership and staffing (is monitored)</td>
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<td>• Men/Women owners receiving advisory services (is monitored)</td>
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<td>• Number of SMEs engaged in activities based on new technologies (80)</td>
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<td></td>
<td>• Czech Benchmarking Index created</td>
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<td>• Czech Consultancy Register created</td>
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<td>• Number of companies participating in improvement programs (100)</td>
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<td>• Min. 100 SMEs to participate in company competitiveness improvement programs</td>
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<td>Results Indicators</td>
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<td>• Direct private investment (beneficiary) in financially supported firms (in Meuro and % of total investment)</td>
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<td>• Number of new products/processes introduced (90)</td>
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<td>• SMEs satisfied with services provided (90 %)</td>
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<td>• Number of women project owners in private projects (is monitored)</td>
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<td>• Number of SMEs becoming new exporters (10)</td>
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<td>• Number of companies evaluated for competitiveness (250)</td>
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<td>• Number of consultants listed in CRR (150)</td>
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<td>• Number of consultants developed (50)</td>
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<td>Impacts Indicators</td>
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<td>• Increase of labour productivity in the supported companies after 2 years from completion of the project (750 000 Kc per employee)</td>
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<td>• Survival rate of SMEs receiving financial support still in business after 2 years from completion of the project (90 %)</td>
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<td>• Increase of turnover in the supported companies after two years from</td>
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<td>Activities</td>
<td>Means</td>
<td>Assumptions</td>
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<tr>
<td>A) Capital Investment grant scheme</td>
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<td>• Sufficient number of good-quality applicants.</td>
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<td>The grants serve in principal as additional investment capital for development of the supported companies.</td>
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<td>• Efficient regional representation of Czech Industry established.</td>
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<tr>
<td>It is expected that about 100 applications will be financed. Purchase of new technological equipment, technology, know-how and/or technological new facilities contributing to the restructuring or development of the production process.</td>
<td></td>
<td>• Executive agency and regional assistants promote absorption capacity, i.e. project delivery, in the areas concerned.</td>
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<tr>
<td>The financed activities are (Eligible expenditure):</td>
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<tr>
<td>• Investment into fixed or physical capital.</td>
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<tr>
<td>• Purchase of new technological equipment, new technology, know-how (including IT systems).</td>
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<tr>
<td>• Reconstruction of buildings, necessary for investment installation.</td>
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<td>• Introduction and certification for ISO 9000:2000 EFQM, TQM.</td>
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<td>• Project audit.</td>
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<tr>
<td>There is no specific regions allocation (project will be asses on the quality base).</td>
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<tr>
<td>B) Company Competitiveness Project</td>
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<tr>
<td>Czech Consultancy Register: (CCR) Creation of a register of 150 consultants according to international best practice skills and competence classification. Development of 50 selected consultants through a program of mentoring, hands on support and training to conduct business reviews using the Benchmarking Index and other competitiveness tools and techniques.</td>
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<tr>
<td>Czech Benchmarking Index: based on the International Benchmarking Index is created through a collaboration between the CI and the UK’s Department of Trade and Industry, this index will be used as a tool to evaluate relative company performance based on a number of financial and non financial performance indicators and identify areas for intervention by the competitiveness improvement programme.</td>
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<tr>
<td>Company Competitiveness Grant scheme: evaluation of over 250 companies and development and implementation of at least 100 competitiveness improvement programs using a cost sharing grant scheme model which will deliver support in one or more of a number of critical areas including:</td>
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<tr>
<td>• Business Strategy IIP, EFQM – evaluation and implementation</td>
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<tr>
<td>• Marketing – market research, marketing strategy development, implementation of strategy, e-commerce – evaluation, strategy and implementation of E-commerce solutions</td>
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<tr>
<td>• Finance – profit improvement/cost reduction initiative – evaluation and implementation</td>
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<td>• Quality – support for ISO implementation and certification</td>
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<tr>
<td>• Exporting – audit of company export capacity, development of strategy, implementation of strategy</td>
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<tr>
<td>• Innovation – innovation audit, strategy development and implementation</td>
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<tr>
<td>• Revenues in the last accounting period should not have been less than €2,000,000 and not more than €50,000,000.</td>
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<tr>
<td>• Assets should not exceed €30,000,000</td>
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<td>• More than 75 percent of the company capital voting rights has to be held by beneficiary company.</td>
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<td>• Companies must be financially stable and should have a positive trend in gross profit over the last 3 financial years.</td>
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<tr>
<td>• There must be commitment, at senior management level, to devoting the necessary resources and to achieving results as evidenced by written commitment by the board or general manager of the company to improve competitiveness plus cost sharing.</td>
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<td>• Companies should have a good track record of business improvements e.g. ISO 9000 or TQM, EFQM</td>
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<tr>
<td>• The company has a return on capital equipment, compatible with sector norms in the Czech Republic and or within the range of similar averages within the EU.</td>
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<tr>
<td>• The company has a value added per employee compatible with sector norms in the Czech Republic and or within the range of similar averages within the EU.</td>
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<tr>
<td>• Company must be located in the Czech Republic.</td>
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</tbody>
</table>

### Compliance with EU policies:

- **State aid** – grant scheme will be approved by UOHS (competition office).
- **Procurement** – according to PRAG.
- **Environment**: Selection criteria favour environmentally friendly technologies. Where applicable, EIA will be required. Equal opportunities: The indicators will monitor ratio of men/women company ownership.

### Publicity measures:

The both schemes will be announced in the Commercial Journal (Obchodní vestník), internet and newspapers. The company contracted based on the service contract will be obliged to publicise the process of selection of the companies in a transparent and competitive way.

### Preconditions

- **State aid**: the grant scheme was approved by UOHS (competition office).
- **Financial resources from the state budget for co-financing were allocated.**
## DETAILED IMPLEMENTATION CHART

**Project: OP Industry and Enterprise – Measure 1.1 SME Development**

<table>
<thead>
<tr>
<th>Action</th>
<th>Year</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
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<td>J</td>
<td>F</td>
<td>M</td>
<td>A</td>
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<tr>
<td><strong>A) CAPITAL INVESTMENT GRANT SCHEME</strong></td>
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<tr>
<td>Call for proposals</td>
<td>X</td>
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<tr>
<td>Project implementation start</td>
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<tr>
<td>Project completion</td>
<td>X</td>
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<tr>
<td><strong>B) COMPANY COMPETITIVENESS PROJECT</strong></td>
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<td>Launch TA tenders</td>
<td>X</td>
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<tr>
<td>Project implementation start</td>
<td>X</td>
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<tr>
<td>Project completion</td>
<td>X</td>
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</table>
## CONTRACTING AND DISBURSEMENT SCHEDULE

### Cumulative Quarterly Contracting Schedule (mil. €)

<table>
<thead>
<tr>
<th>Project</th>
<th>1Q/03</th>
<th>2Q/03</th>
<th>3Q/03</th>
<th>4Q/03</th>
<th>1Q/04</th>
<th>2Q/04</th>
<th>3Q/04</th>
<th>4Q/04</th>
<th>1Q/05</th>
<th>2Q/05</th>
<th>3Q/05</th>
<th>4Q/05</th>
<th>Total</th>
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</thead>
<tbody>
<tr>
<td>OP Industry and Enterprise – Measure 1.1 SME Development:</td>
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<td>15.00</td>
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</tbody>
</table>

### Cumulative Quarterly Disbursement Schedule (mil. €)

<table>
<thead>
<tr>
<th>Project</th>
<th>1Q/03</th>
<th>2Q/03</th>
<th>3Q/03</th>
<th>4Q/03</th>
<th>1Q/04</th>
<th>2Q/04</th>
<th>3Q/04</th>
<th>4Q/04</th>
<th>1Q/05</th>
<th>2Q/05</th>
<th>3Q/05</th>
<th>4Q/05</th>
<th>Total</th>
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</thead>
<tbody>
<tr>
<td>OP Industry and Enterprise – Measure 1.1 SME Development:</td>
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<td>15.00</td>
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<td></td>
<td>2.00</td>
<td>8.00</td>
<td>14.00</td>
<td>15.00</td>
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<td>15.00</td>
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</tbody>
</table>
Summary description of consultation process within Phare 2003

17.12.2003

Information about selected priorities and measures, detailed description of measures, time schedule for Phare 2003 provided, answer sheet explained and discussed (based on letter from 6.12.2003). Question of partners and following discussion mainly focused on: budget, final beneficiaries for particular measures, possible co-financing, publicity. Regions were asked for cooperation on final selection of measures for support under Phare 2003 and for filling in the answer sheet. Selected measures drafted for Phare 2003 ESC were found appropriate. The discussions showed general preference of measure 1.1 (SMEs) and also measure 1.2 (Innovations).

24.1.2003
Letter (also e-mail) to all partners in Consultation plan (Representatives of Regions, Economic Chambers, Association NGOs and other partners involved)

The letter contained a description of consultation process since December, where last information were given, budget allocation, criteria for final selection of measures explained, information on further time schedule of consultation process, feedback on partners informing about the result of consultation (6.12.2002), answer sheet using new criteria for selection provided. Answer sheets filed in and obtained by the 7 February 2003. MIT expectation to support measure 1.1 confirmed with final score: 518 points for measure 1.1, the other measures with following scores: 1.2. - 442, 2.1. - 261 and 2.2. - 219 points.

28.1. - 31.1. and 11.2. 2003
Meeting of MIT + CzechIndustry (CzI) - Implementing agency for Phare 2003

Discussion concentrated on:
Implementation capacity of CzI taking into accounts the EDIS process.
Based on available analysis + EDIS + experience, the MIT ranking measures:
Measure 1.1 - score 4; Measure 1.2 - score 2; Measure 2.1 - score 3; Measure 2.2 - score 1.

29. 1. 2003
Seminar “OP Industry and Enterprise”, Dvur Králové

All information, which was provided in letter of 24.1.2003, explained again, detailed description of answer sheet, information on implementation arrangement.
Discussion regarded following issues: partners found useful more detailed description of measure, general arrangement with measures 1.1 to be supported under Phare 2003 made, partners intended to be included in project fiche (where the detailed implementation criteria will be specified) preparation. Most of the partners preferred to support measure 1.1 SMEs.

18. 2. 2003
Meeting of Monitoring Committee for the OP

Discussion concentrated on:
MIT should take into account that 2-3 regions preferred restructuring measures (taken into account), according to final scoring measure 1.2 should also not be excluded (taken into account), MIT suggested that Phare 2003 support should be aimed at all NUTS II Regions.

Voting: Monitoring committee concluded as follows: Measure 1.1 approved for Phare 2003 support with the reservation that the Managing Authority should explore whether there are any large restructuring projects ready for implementation (i.e. contracting). All agreed that it is necessary to concentrate the resources (i.e. limit the measures to be supported). There was only one member of Monitoring committee who proposed priority 2- type of projects.
Industrial Classification of Supported Economic Activities

Manufacturing industry

15 Manufacture of food products and beverages
17 Manufacture of textiles
18 Manufacture of wearing apparel; dressing and dyeing of fur
19 Tanning and dressing of leather; manufacture of luggage, handbags, saddlery, harness and footwear
20 Manufacture of wood and of products of wood and cork, except furniture; manuf. of articles of straw and plaiting materials
21 Manufacture of pulp, paper and paper products
22 Publishing, printing and reproduction of recorded media
23 Manufacture of coke, refined petroleum products and nuclear fuel
24 Manufacture of chemicals and chemical products
25 Manufacture of rubber and plastic products
26 Manufacture of other non-metallic mineral products
27 Manufacture of basic metals
28 Manufacture of fabricated metal products, except machinery and equipment
29 Manufacture of machinery and equipment n.e.c.
30 Manufacture of office machinery and computers
31 Manufacture of electrical machinery and apparatus n.e.c.
32 Manufacture of radio, television and communication equipment and apparatus
33 Manufacture of medical, precision and optical instruments, watches and clocks
34 Manufacture of motor vehicles, trailers and semitrailers
36 Manufacture of furniture; manufacturing n.e.c.
37 Recycling

Construction

45 Construction

Sale; repair of motor vehicle, personal and household goods

50 Sale, maintenance and repair of motor vehicles and motorcycles; retail sale of automotive fuel
50.2 Maintenance and repair of motor vehicles (except motorcycles)
50.3 Sale of motor vehicle parts and accessories (except motorcycles)
50.4 Sale, maintenance and repair of motorcycles and related parts and accessories
51.2 Wholesale of agricultural raw materials and live animals
51.3 Wholesale of food, beverages and tobacco
51.4 Wholesale of household goods
51.5 Wholesale of non-agricultural intermediate products (except agriculture), waste and scrap
51.6 Wholesale of machinery, equipment and supplies
51.7 Other wholesale
52.1 Retail sale in non-specialized stores
52.2 Retail sale of food, beverages and tobacco in specialized stores
52.3 Retail sale of pharmaceutical and medical goods, cosmetic and toilet articles
52.4 Other retail sale of new goods in specialised stores
52.7 Repair of personal and household goods

Transport, storage, communication

63.1 Cargo handling and storage
63.21 Other supporting land transport activities

Real estate activities; business activities

70.1 Real estate activities with own or leased property (except lease)
72 Computer and related activities
74.1 Legal, accounting, book-keeping and auditing activities; tax consultancy; market research and public opinion pooling; business and management consultancy; holdings
74.2 Architectural and engineering activities and related technical consultancy
74.3 Technical testing and analysis
74.7 Building-cleaning activities

1 with the exemption of erotic goods production
2 with the exemption of erotic goods sale
3 with the exemption 51.35 - Wholesale of tobacco products
4 with the exemption 51.25 - Wholesale of unmanufactured tobacco