

International Cooperation Programme between the Czech Republic and the State of Israel in Applied Research and Experimental Development GESHER/MOST

1. Identification Data of the Programme, Its Division into Subprogrammes, Announcement Date, Duration

1.1 Name of the Programme

The “GESHER/MOST Programme”

1.2 Type of Programme and Support

By means of this programme the Ministry of Education, Youth and Sports in cooperation with the Ministry of Industry and Trade and the CzechInvest agency implement the Agreement between the Government of the Czech Republic and the Government of the State of Israel on Bilateral Cooperation for the Support of Industrial Research and Development in the Private Sector (hereinafter referred to as the “Agreement”) concluded on 30 March 2009. The government granted its consent to the Agreement by Resolution No. 362 as of 23 March 2009. In the Resolution it entrusted the Ministry of Education, Youth and Sports in cooperation with the Ministry of Industry and Trade to implement the Agreement. The Agreement was published in the Collection of International Treaties under No. 118/2009.

The GESHER/MOST Programme is administered by the Ministry of Education, Youth and Sports, which is in accordance with S. 33(2)(a) of Act No. 130/2002 Coll., which makes provision with respect to supporting research, experimental development and innovations from public funds, as amended (hereinafter referred to as the “Act on the Support of Research, Experimental Development and Innovations”) responsible for international cooperation pursued by the Czech Republic in research and development and which serves as a provider of institutional aid for international cooperation pursuant to S. 4(2)(b) of the Act on the Support of Research, Experimental Development and Innovations. In accordance with the Agreement the implementing agency on the Czech side is the CzechInvest agency and the implementing agency on the Israeli side is the Israeli Industry Center for R&D.

The Programme is not divided into subprogrammes.

Following the adoption of the Programme by the government, the Council for Research, Development and Innovations will supply its identification code.

Classification of projects: The Programme will support only applied research and experimental development projects.

1.3 Announcement Date

The Programme will be announced by a repeated one-round public tender in research, experimental development and innovations (hereinafter referred to as the “Public Tender”). It is expected that between 2010 and 2013 one Public Tender will be announced every year. The first Public Tender will be announced in April 2010.

1.4 Duration

The Programme will end on 31 December 2016, which does not include the period of the Programme’s evaluation. The last projects will be implemented in the course of the Programme’s duration, i.e. by 31 December 2016.

2. Total Expenditures for Implementing the Programme

The table below lists total expenditures for the implementation of the Programme, including costs from public funds, stating state budget expenditures and their breakdown in individual years.

Year	Total Programme Expenditures [in '000 CZK]	Institutional Aid [in '000 CZK]
2010	40,000	20,000
2011	80,000	40,000
2012	120,000	60,000
2013	120,000	60,000
2014	120,000	60,000
2015	80,000	40,000
2016	40,000	20,000
Sum Total for the Programme	600,000	300,000

Each party to the Agreement contributes to costs incurred by participants from its state budget. Institutional aid for Czech participants in joint projects will be granted pursuant to Czech generally binding legal regulations that govern the granting of aid for applied research and experimental development.

3. Highest Permitted Amount of Aid and Its Reasoning

3.1 Highest Permitted Amount of Aid

The highest permitted amount of aid may be granted only in accordance with the Community Framework for State Aid for Research and Development and Innovation (2006/C 323/01) (hereinafter referred to as the “Community Framework”). The GESHER/MOST Programme is not designated for supporting basic research projects. Applied research projects will receive institutional aid in the basic amount of up to 50% of eligible costs and experimental development projects will receive institutional aid in the basic amount of up to 25% of eligible costs.

As concerns further bonuses that may be granted in applied research and experimental development in accordance with Part 5.1.3 of the Community Framework, a further bonus will be granted provided a company cooperates with a research institution pursuant to Article 3.2.2 and 5.1.3(b)(ii) of the Community Framework.

3.2 Reasoning

Aid from public funds in the GESHER/MOST Programme is designated for supporting international cooperation projects in applied research¹ and experimental development² approved by a Joint Committee established pursuant to Article III(3) of the Agreement. Funds from the GESHER/MOST Programme will be used for the payment of costs related to the implementation of selected international applied research and experimental development projects.

Pursuant to S. 2(2)(j) of the Act on the Support of Research, Experimental Development and Innovations an applicant for institutional aid from the GESHER/MOST Programme may only be a company defined in Part 2.2(a) and (b) of the Community Framework; if need be, in cooperation with a public higher education institution, public research institution and/or other research entities that may be qualified as research organisations pursuant to Article 2.2(d) of the Community Framework. However, the above institutions as such cannot become applicants for institutional aid.

The motivational effect of the institutional aid of the GESHER/MOST Programme involves targeted support of activities pursued mainly by small and medium-sized enterprises in the field of applied research and experimental development at international level. This supports enhancing of competitive skills of most notably small and medium-sized enterprises, balances their access to the development of modern technologies and/or products (small and medium-sized enterprises have a more difficult access to new knowledge, which is one of their structural disadvantages) and contributes to the development of the above enterprises in the field of bilateral cooperation in research, experimental development and innovations. Tax measures supporting the implementation of research and development³ are the most efficient ones for large enterprises, which may pursue research in their own research capacities and which are financially strong enough to fund the whole research from their own resources (a surplus income tax payment is returned retroactively for the previous calendar year), are able to bear the risks related to failure and a decrease in their tax base is essential for them. However, small and medium-sized enterprises prefer direct aid granted for individual projects. Without the above aid a number of projects would not be implemented at all or would be implemented in a significantly smaller scope. So as to ensure the motivational effect of the aid, implementation of a project in the GESHER/MOST Programme must not be launched before a proposed project is submitted to the Public Tender in research and development.

Eligible costs of projects in the GESHER/MOST Programme include costs defined in S. 2(2)(l) of the Act on the Support of Research, Experimental Development and Innovations, provided they are also in accordance with the definition of eligible costs laid down in Part 5.1.4(a), (b), (d) to (f) of the Community Framework. Institutional aid may be granted only for costs/expenditures related to project implementation and only in the period during project implementation.

Due to the fact that only applied research or experimental development projects may be included in the GESHER/MOST Programme, institutional aid in the basic amount exceeding 50% and 25% of eligible costs, respectively, cannot be granted. Provided a company cooperates with a research institution, the possibility of a further bonus will be used so as to determine the amount of institutional aid pursuant to Article 3.2.2 and 5.1.3(b)(ii) of the

¹ S. 2(1)(b) of Act No. 130/2002 Coll., which makes provision with respect to supporting research, experimental development and innovations from public funds, as amended (“Act on the Support of Research, Experimental Development and Innovations”).

² S. 2(1)(c) of Act No. 130/2002 Coll., as amended.

³ S. 34(4) of the Income Tax Act (No. 586/1992 Coll.), as amended.

Community Framework, since there is interest in supporting cooperation between mainly small and medium-sized enterprises and research organisations.

The terms and conditions of the GESHER/MOST Programme have been set in such a way so that the granting of institutional aid does not “affect trading conditions and competition in the Community to an extent which would be contrary to the common interest”⁴. The granted institutional aid has to comply with terms and conditions of Parts 5.1.2 to 5.1.4 of the Community Framework. Other types of aid laid down in Parts 5.1.5 to 5.1.7 of the Community Framework will not be made use of in the GESHER/MOST Programme. Institutional aid will be granted in accordance with Article 30 et seq. of Commission Regulation (EC) No. 800/2008, declaring certain categories of aid compatible with the common market in application of Articles 87 and 88 of the Treaty (General Block Exemption Regulation).⁵

4. Specifications of the Objectives of the Programme including Their Reasoning and Way of Achieving Them, Criteria for Meeting the Objectives of the Programme, Comparison with the Existing Situation in the Czech Republic and Abroad, and Expected Outcomes and Benefits of the Programme

4.1 Objectives of the Programme

The GESHER/MOST international cooperation programme is announced in order to implement the Agreement between the Government of the Czech Republic and the Government of the State of Israel on Bilateral Cooperation for the Support of Industrial Research and Development in the Private Sector. The objective of the GESHER/MOST Programme is to provide institutional aid for projects and hence support international bilateral cooperation between companies from both contracting parties in industrial research and experimental development in the field of:

- Information and communication technologies;
- Sustainable and clean technologies;
- Agricultural and food-processing technologies;
- Biotechnologies and medical technology;
- Engineering (new materials, nanotechnologies, cybernetics and robotics);

and hence promote international cooperation in applied research, growth of Czech companies' competitiveness and creation of new innovated products and services. Supporting the participation of Czech entities in the GESHER/MOST Programme is fully in line with the objectives of the Reform of the System of Research, Development and Innovations in the Czech Republic⁶ (“4. To condition programme aid for research and development by the cooperation between public research and research and development users based on co-funding from public and private funds”; “7. To intensively involve the CR in international cooperation in research, development and innovations”). Besides, it also meets Objective 1 of Measure 1.2 of the Interdepartmental Concept of International Cooperation in Research and Development in the Czech Republic by 2015⁷.

4.2 Comparison with the Situation Abroad

⁴ Article 87/former Article 92(3)(c) of the Treaty of Amsterdam.

⁵ Published in the Official Journal of the European Union on 9 August 2008.

⁶ Adopted by Government Resolution No. 287 as of 26 March 2008.

⁷ Adopted by Government Resolution No. 852 as of 9 July 2008.

Compared with the situation abroad, it is clear that countries enter into bilateral intergovernmental treaties aimed at bilateral cooperation in research and experimental development (possibly in conjunction with cooperation in culture, etc.). They prepare special programmes for the field of research and experimental development, aiming either a limited number of priority areas or without any limitations. Besides the State of Israel, with which the above intergovernmental Agreement was concluded, those countries include e.g. the USA, Germany, Poland, Slovakia and India. It is thus an absolutely common way of supporting international cooperation in research and experimental development.

4.3 Expected Outcomes and Benefits of the Programme

Expected outcomes include measurable results that can be evaluated pursuant to Part B 3.1.2 of the Methodology for Evaluating Research and Development Outcomes in 2009, in particular “pilot operation, verified technology, variety, breed” (Z), “patent” (P), “certified software” (R), “utility design, industrial design” (F) and “prototype, functional sample” (G). An outcome to the effect of an “article in an expert magazine” (J) or an “expert publication” (B) is not very likely and an outcome to the effect of “V” (research report containing classified information protected pursuant to special legal regulations) is not expected since the Agreement does not concern research related to classified matters. The criteria for evaluating whether objectives of the GESHER/MOST Programme have been met follow from the above expectations:

- (a) The number of projects granted institutional aid in the GESHER/MOST Programme of > 100;
- (b) The ratio of successfully completed projects out of projects granted institutional aid of > 80%; every successfully completed project should have at least one expected outcome;
- (c) The ratio of outcomes with the codes of “P” (patent), “Z” (pilot operation, verified technology, variety, breed), “R” (certified software), “F” (utility design, industrial design), “G” (prototype, functional sample) in the achieved outcomes of > 85%.

Besides supporting international cooperation in applied research and development, the benefits of the GESHER/MOST Programme include mainly help in establishing new contacts and new cooperation in research and development between institutions involved in R&D in different countries (most notably small and medium-sized enterprises) as well as quicker access to knowledge regardless of borders.

5. Requirements for Proving the Eligibility of Applicants and Mode of, and Criteria for, Evaluating Proposed Projects

5.1 Eligibility

An applicant for institutional aid from the GESHER/MOST Programme may only be a company defined in Part 2.2(a) and (b) of the Community Framework for State Aid for Research and Development and Innovation (2006/C 323/01), within the meaning of S. 2(2)(j) of the Act on the Support of Research, Experimental Development and Innovations; if need be, in cooperation with a public higher education institution, public research institution and/or other research entities that may be qualified as research organisations pursuant to Article 2.2(d) of the Community Framework. However, the above institutions as such cannot become applicants for institutional aid.

Pursuant to the provision of S. 18 of the Act on the Support of Research, Experimental Development and Innovations an applicant has to prove its eligibility to implement a proposed

project. Provided more than one applicant jointly applies to implement one project, the duty to prove eligibility applies to all the applicants.

A failure to meet the condition to prove eligibility pursuant to the Act on the Support of Research, Experimental Development and Innovations is a reason to disqualify the submitted proposed project from the Public Tender in research and development.

5.2 Other Terms and Conditions

In accordance with the provision of S. 17(3) of the Act on the Support of Research, Experimental Development and Innovations the following other terms and conditions are hereby set for all Public Tenders in the GESHER/MOST Programme:

- (a) At least one participant from the Czech side and one participant from the Israeli side that do not have the same owner or promoter, etc. have to participate in each project.
- (b) Each participant files its proposed project with its implementing agency.
- (c) A proposed project of a Czech participant has to be prepared and filed in a way set forth by the CzechInvest implementing agency.
- (d) Work on implementing the project by a Czech participant must not be launched before a proposed project is submitted to the Public Tender.

All other terms and conditions defined above apply simultaneously. A failure to meet any of them is a reason to disqualify a proposed project from the Public Tender.

A proposed project filed only with the Czech implementing agency (without its simultaneous filing with the Israeli implementing agency by the pertinent Israeli participant) will be disqualified.

5.3 Mode of Evaluating Proposed Projects

Proposed projects are evaluated by an expert advisory body (the Czech side of the Joint Committee). The evaluation is based on the proposed project submitted to the Public Tender for the GESHER/MOST Programme, two opponent reviews prepared by independent opponents, a position of a rapporteur from the expert advisory body and a discussion in the course of a meeting of the expert advisory body.

Recommended proposed projects will subsequently be assessed by a Joint Committee comprising representatives of both sides. Institutional aid will be granted only to proposed projects on which the Joint Committee agrees. A report will be written about the result of the deliberations and will be signed by both parties.

5.4 Criteria for Evaluating Proposed Projects

- ❖ Basic criteria (weight – 5)
 - Financial eligibility of all partners (10 points)
 - Formal consent among partners (10 points)
- ❖ Basic evaluation (weight – 1)
 - Well-balanced partnership (10 points)
 - Added value of the cooperation between partners (10 points)
 - Technological capacity of all partners (10 points)
 - Managerial capability of all partners (10 points)

- Methodological and planning procedure (10 points)
- Decisive implementation phases and their content (10 points)
- Cost and financial structure (10 points)
- Financial obligations of individual partners (10 points)
- ❖ Technology and innovations (weight – 3)
 - Degree of technological maturity of risk (10 points)
 - Technological prerequisites (20 points)
 - Innovation degree (15 points)
 - Sectoral impact (10 points)
- ❖ Market and competitiveness (weight – 2)
 - Market size (10 points)
 - Market access and risk (5 points)
 - Return on investment (5 points)
 - Strategic project importance (10 points)
 - Enhancing capabilities and visibility (10 points)