



# **JOINT STATEMENT OF THE NATIONAL EVENT OF THE CZECH REPUBLIC Synergies between European Structural and Investment Funds (ESIF) & Research and Innovation Funding**

*Organised by*  
**the European Commission (Stairway to Excellence Initiative)**  
**and**  
**the Government Office of the Czech Republic**  
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The development of efficient national/regional research and innovation strategies for smart specialisation (RIS3)<sup>1</sup> allows Member States (MSs) and their regions to identify a limited number of research areas and industrial activities with high innovation potential. In turn, this can ensure a more effective use of public funds while stimulating more effective private investments.

The S2E national event - jointly organised by the European Commission and the Government Office of the Czech Republic - took place in Prague on 3 March 2016 as part of the capacity building activities of the [S2E project](#) in the EU13 Member States<sup>2</sup>. The event brought different stakeholders together and provided a platform for a better understanding of MS innovation ecosystems, raising awareness of the actions needed to enable synergies and drawing lessons for future actions.

The Czech National Event provided an effective venue for engaging different stakeholders and discussing forward-looking results. More than 120 participants joined the event from several academic/research institutions, public sector, business and ESIFs Managing Authorities. As an indication of the commitment to this topic by the Czech authorities, the event was opened by the Deputy Prime Minister, Pavel Bělobrádek. Moreover, the event gathered a pool of experts from other European countries (namely Slovenia and Austria) who presented their experiences on innovation policies, governance and the creation of synergies. All these inputs offered insightful elements for discussion in the different panels and participatory sessions during the event. General comments and recommendations are summarised below.

*General comments and recommendations are summarised below. They do not represent the Government Office of the Czech Republic's nor the European Commission's official position but are the outcome of the panel discussions.*

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<sup>1</sup> <http://s3platform.jrc.ec.europa.eu/home>

<sup>2</sup> EU13 indicates those 13 Member States which have joined the European Union since 2004.

## Main Issues under the Different Topics

### 1. Stakeholders' involvement in building synergies

#### a. Support towards public organisations in participating in EU competitive programmes

The Czech macroeconomic situation is favourable. The GDP growth rate was 4.5% in 2015 while the unemployment rate is well below the EU28 average having slightly decreased from 7.0% in 2012 to 4.5% in 2015 (Eurostat). Gross domestic expenditure on R&D (GERD) significantly increased in nominal terms and as a percentage of GDP, from 1.79% in 2012 to 2% in 2014, therefore closing the gap vis-à-vis the EU28 average (2.03%).

Despite these positive indicators and the existing research capacities in the country, the Czech Republic under-performed in FP7 and this has continued in Horizon 2020. Moreover, the share of funding in H2020 is still decreasing slightly (from 0.64% in the FP7 to 0.63% in Horizon 2020 in June 2015) while the total share for EU13 is increasing (4.25% in the FP7 to 4.51% in the H2020 programme). Instead of searching synergies between funding, we can observe a substitution effect of pre-allocated funding (ESIF) being used in preference to competitive funding (Horizon 2020), however, this phenomenon is not particular to the Czech Republic. This substitution may impact on the capabilities of Czech research teams to integrate into international research networks in the future. The weak participation in Horizon 2020 calls as a regular participant or coordinator raises the problem of the lack of motivation of public organisations to be involved in such competitive programmes.

One reason may be that the intensity of public support to public research organisations is calculated according to parameters that do not take into account international collaboration. This partially explains the weak interest of public research organisation to be involved in international networks.

The following suggestions were made to encourage public organisations to be more involved in the Horizon 2020 (Key issue 1):

- The level and intensity of international cooperation should be taken into account as a performance indicator in the evaluation of research units at public research organisations.
- The Seal of Excellence initiative promotes the funding with ESIF of projects successfully evaluated in H2020 but for which there was not enough H2020 call budget<sup>3</sup>. It is currently only dedicated to the SME instrument within Horizon 2020 but should be extended to other types of funding schemes.

**Key Issue 1:** *the weak participation of Czech public organisations in large competitive programmes (e.g. Horizon 2020).*

**Possible Action(s):**

Czech national authorities:

- Give greater consideration to international collaborations in evaluation methodology.

European Commission:

- Extend the scope of the Seal of Excellence initiative

<sup>3</sup> Regions/Member States interested in funding these types of proposals could use ESIF resources (in line with ESIF priorities and S3 strategies and in compliance with national and relevant EU rules) or their own national/regional resources to grant funding without additional qualitative evaluation.

## b. Support towards researchers in public organisations

At the individual level (a researcher in public organisation), the lack of participation may result from the absence of reward and recognition for international collaboration with regard to career development. There is a lack of incentives for international mobility that has a negative impact on developing further international collaborations.

Participants, particularly researchers, highlighted some administrative constraints coming both from the national and the EU level. The procedures of Czech law are considered more complicated than the European Commission procedures and the administrative burden is excessive. Clear requests for the simplification of the administrative procedures were expressed several times during the event.

Despite the complaints with regard to Czech bureaucracy outlined above, structural funds for research activities are easier to obtain than FP7/Horizon 2020 funds. This is due to the low success rate of such competitive programmes, the complexity of drafting proposal and the necessity to integrate into an existing consortium<sup>4</sup> or create a new one.

While issues related to the administrative burden can have an effect on the choice of funding source, the consideration of synergies can lead potential beneficiaries (public researchers in this case) towards a decision based on the most appropriate source of funding and financial support schemes. However, this requires a specific set of skills that researchers may not have.

The following recommendations were raised by participants and experts during the event (Key issue 2):

- Czech authorities should encourage the creation (or the reinforcement) of EU grant offices with the appropriately skilled people, trained in proven successful offices, preferably abroad, in public research organisations and universities complementing the task of National Contact Points already assigned to Czech Technology Centre.
- The involvement of researchers in international networks and increased activity in mobility schemes (collaboration in Horizon 2020 projects or co-publications) should be encouraged to a greater extent and rewarded at an individual level by being a consideration for career progression.

**Key Issue 2:** *Researchers in public organisation are not motivated to participate to competitive programmes*

**Possible Action(s):**

Czech national authorities:

- create grant offices in public research organisation and universities,

Research organisations:

- Better reward the international activities of researchers

<sup>4</sup> Beyond the simple observation of the low Czech participation in FP7/Horizon 2020 programmes, an important and relevant work has recently been undertaken by the Technology Centre ASCR and the FP7 support action MIRRIS in order to find the origin of the weak participation and produce a set of recommendations: "Engagement of the Czech Republic in the European Research Area: Imperative of the Current Development and Opportunities Not Yet Exploited. Summary and Recommendations to the Czech Government arising from the Roundtable of the National Convention on the EU which took place on 11 December 2015 in Prague"

## 2. Upstream activities: How to build capacities to create appropriate conditions for Research & Innovation?

### a. The sustainability of Research infrastructures

Participants highlighted that most public research infrastructures built with Structural Funds during the previous financial period 2007-2013 are not economically sustainable and could not be maintained without the support of the State.

However, the national roadmap for Research infrastructures<sup>5</sup>, the National Smart Specialisation Strategy<sup>6</sup> and the national research strategy<sup>7</sup> can constitute a comprehensive framework supporting good decision making in terms of infrastructure investment.

Some suggestions were raised by participants and experts during the event (Key issue 3):

- The component of economic sustainability should be considered at the design phase of the infrastructure in order to avoid later problems and foresee long-term financial plans<sup>8</sup>.
- Infrastructure facilities should offer professional advisory support activities for clients of the facilities alongside the infrastructural research opportunities.
- Recurrent activities such as infrastructure maintenance are not eligible under Structural Funds. This creates an unavoidable funding gap after the launch of the research infrastructure if other funding sources are not immediately available. A review of the ESIF financial regulation would be welcome in order to make such costs eligible for a limited period of time.
- The H2020 action Spreading Excellence and Widening participation should be considered, especially the Teaming initiative in which the deployment of R&I infrastructures occurs in 2 phases, with the development of a business plan before the construction of an infrastructure and engaging ESIF to complement H2020 funding.

**Key Issue 3:** *Research infrastructures are not sustainable*

**Possible Action(s):**

Czech national authorities:

- Ensure sustainability planning at the design stage of infrastructure projects.
- Better consider the H2020 Teaming initiative's business plan development for infrastructure deployment.
- Offer professional advisory support activities to potential users of Infrastructures.

<sup>5</sup> [http://www.msmt.cz/file/36333\\_1\\_1](http://www.msmt.cz/file/36333_1_1)

<sup>6</sup> Czech National RIS3 strategy should be approved in 2016

<sup>7</sup> The National Research, Development and Innovation Policy of the Czech Republic in 2009 – 2015

(<http://www.vyzkum.cz/FrontClanek.aspx?idsekce=1020>)

<sup>8</sup> Business infrastructure such as a number of new Centre for Technology Transfer (CTT) and of Science and Technology Parks or number of business parks is developing at least according to expectations. Nevertheless, it should be stressed that the available experience shows that it is not the construction of these infrastructures what matters, but rather if these institutions are able to provide envisaged high-quality services. Evaluation of real effects of these new institutions is urgently needed. (Blažek, J. (2010). Expert evaluation network delivering policy analysis on the performance of Cohesion policy 2007-2013. Policy Paper on Innovation. A report to the European Commission. Directorate—General Regional Policy.)

## b. Research infrastructure financing and the State-aid framework

Some stakeholders consider the State aid rules as a potential barrier to the inclusion of private-sector partners into the design, financing and implementation of Research, Development & Innovation (RDI) infrastructures in the Czech Republic, even when such partnerships could have desirable effects on the initiative's outputs and financial sustainability. In some recent Czech cases, ensuring compliance with the State aid rules proved to be a challenge for the project promoters, which generated delays and unexpected complexity. These unfortunate experiences triggered reluctance by the Czech public authorities to deal with complex State aid issues, pushing organisations receiving public aid to seek legal ways to avoid the notification of the State aid to the Directorate General for Competition (DG COMP) of the European Commission<sup>9</sup>. However, non-notification means economic activity must not exceed the 20% threshold<sup>9</sup>.

The tendency of Czech public authorities to avoid notification by application of the Framework's provision on the ancillary of the economic activity (i.e. 20% threshold) may impact in the short-medium term the RDI infrastructures' performance (volume of economic activity, public-private intellectual cooperation, job prospects of graduates, etc.). In the longer term, it may also negatively impact their financial sustainability.

While a notification of a State aid may represent a significant effort it may also bring a significant positive impact in the long term and generate significant additional economic value. In addition, the time to prepare a notification from the Czech side and carry out the relevant assessment by DG COMP of the European Commission may vary according to the complexity of the case. In order to avoid actions that threaten the sustainability and performance of research infrastructures, some initiatives could be taken both from the Czech side and the European Commission side, such as (Key issue 4):

- Providing legal support to help organisations when notification of State aid to DG COMP of the European Commission is required – the Czech authorities should be able to assist organisations with technical and legal support, thus they would be able to go beyond the 20% threshold of economic activities<sup>9,10</sup>;
- Integrating the notification into the design step of the infrastructure;

**Key Issue 4:** *The reluctance of authorities to notify State aid hampers the creation of economic activity and threatens the sustainability of infrastructures.*

**Possible Action(s):**

Czech national authorities:

- Provide assistance to organisations on the State aid notification process and Include State aid notification at the design phase of a research infrastructure.

European Commission:

- Increase communication on the State aid framework to demystify the process

<sup>9</sup> According to the Commission's State aid Framework for RDI, the public funding of an organisation does not constitute State aid, when the organisation has mainly non-economic activity, the economic use remaining purely ancillary, – i.e. "(i) the economic use corresponds to an activity which is directly related to and necessary for the operation of the organisation or intrinsically linked to its main non-economic use, and (ii) the capacity allocated each year to such economic activities does not exceed 20% of the relevant entity's overall annual capacity" – or if its economic activity meets certain conditions, such that no advantage can be derived from the public funding

<sup>10</sup> The notification is always the responsibility of the State/public authorities concerned. The State/public authorities file a notification. The parties of a notification procedure are: Member State concerned (not recipient of aid) and the European Commission. Of course the recipient of State aid contributes in the contacts with DG COMP and pre-notification phase.

- The European Commission should better communicate about the State aid framework<sup>11</sup> in order to demystify preconceived ideas and encourage notification of State aid when it is optimal to do so.

### 3. Downstream activities: How to enhance the creation of economic value from the R&I system?

#### a. Public-private collaboration fostering the creation of economic value

The lack of public-private collaboration constitutes a significant barrier to knowledge transfer and creation of economic benefits. It is affecting the attractiveness of the country in research domains where the Czech Republic has strong assets (automotive, aeronautics, nanotechnologies etc.) hampering the creation of a critical mass in those domains. Even though an entrepreneurial spirit is increasing in the country, a weak culture of public-private collaboration still remains.

Moreover the access of private companies to public research infrastructure should be improved and promoted in order to facilitate the knowledge transfer and increase the sustainability of those infrastructures.

The following suggestions were provided by participants and experts during the event (Key issue 5):

- The reinforcement of cluster policies in order to create the conditions for good cooperation between public and private organisations would be welcomed. This aspect is also linked to the implementation of the Czech RIS3 strategy with the involvement of all type of stakeholders
- The access to public infrastructures and equipment should be improved (i.e. by requesting the PROs to publish official listings of available public infrastructure and requested fees for their use). Legal barriers for the use of public infrastructures by private organisations should be removed.
- The Seal of Excellence label initiative targeting SMEs and directly contributing to knowledge transfer should be better promoted at national level
- There is a need to encourage a more outward-looking perspective (practice from elsewhere, networks and collaboration, marketing, and value chain exploration). Participants expressed the wish for tailor made brokerage events organized by the European Commission in order to create communities around specific domains. A closer collaboration between the Ministry of Economy and Enterprise Europe Network could be the bridging factor in this respect.

**Key Issue 5:** *A lack of public private collaboration affecting the creation of economic value*

**Possible Action(s):**

Czech national authorities:

- Reinforce cluster policies to encourage cooperation between stakeholders
- Improve the access of public research infrastructures and equipment to private organisations ;
- Better promote the seal of excellence initiative towards Czech SMEs.

European Commission:

- S3 platform organizes more support actions to encourage links between stakeholders.

<sup>11</sup> Some information is nevertheless available on : [http://ec.europa.eu/regional\\_policy/index.cfm/en/conferences/state-aid/rdi/](http://ec.europa.eu/regional_policy/index.cfm/en/conferences/state-aid/rdi/)

Attempt to enhance international networks with highly reputed institutions at EU level, to integrate institutions in leading networks and platforms and transfer know-how in specific knowledge areas. The Horizon 2020 Twinning initiative goes in this direction.

## b. Improvement of the Czech legislation on public procurement

Participants have identified the national legislation on public procurement as a barrier to public-private cooperation. The public procurement in the Czech Republic, under Structural Funds, follows the "3 bids rule" meaning organisations launching a call for tender must receive at least 3 offers from 3 distinct legal entities. Concretely, the law states that the lowest price bid must win the tender. According to participants and experts who have dealt directly with public procurement rules, the obligation to take the lowest price despite other relevant characteristics may create inefficiency with unexpected costs. The tenderer may not have the market knowledge required to select the three offers meaning that the cheapest but perhaps inappropriate bid has to be accepted.

Participants and experts have made the following recommendations (Key issue 6):

- The impact of the current legislation on public procurement should be assessed to explore the ways to improve and facilitate the process to ensure the public sector procures the most appropriate services and equipment. The review should assess positive and negative impacts of the procurement process and propose recommendations for a possible revision.
- The Czech Competition Authority in charge of reviewing cases of irregularities in tendering should aim to speed up the process. The review of a case can take up to one year and may affect the overall research or business plan of an organisation.

**Key Issue 6:** *Current public procurement regulation may hamper public-private collaboration*

**Possible Action(s):**

Czech national authorities:

- Launch an external evaluation on the current Public Procurement regulation
- Shorten the investigation process of the national competition authority

## 4. The Way Forward

The state of play of the above key issues and actions mentioned in this Joint Statement will be followed up after a period of one year with:

- A survey targeting managing authorities in charge of the implementation of synergies and beneficiaries of national and EU funding to assess the progress with regard to the issues raised in this Joint Statement;
- A follow-up seminar with Managing authorities to monitor the progress on issues assessed in the Joint Statement in more depth and to develop further actions to be taken.

Furthermore, in order to widen the benefit of the discussion to a broader network involving all potential research and innovation stakeholders, the EC will disseminate relevant information to:



- Help Czech stakeholders to build capacity and international networks.
- Establish an information system for all stakeholders involved to inform on examples of synergies that take place in the Czech Republic.