



Audit Report

20/20

Funds from the Operational Programme *Enterprise and Innovation for Competitiveness* provided to SMEs for advisory services, marketing, education and training and in connection with Covid-19

The audit was included in the audit plan of the Supreme Audit Office (the “SAO”) for 2020 under number 20/20. The audit was managed and audit report drawn up by SAO Member Mr. Pavel Hrnčíř.

The audit’s objective was to examine whether the funds for SMEs for consultancy, marketing, education and training and Covid-19 related measures had been provided and spent effectively and economically and in a manner that achieved the set objectives.

Audited entities:

Ministry of Industry and Trade (hereinafter also the “MoIT”);
Business and Innovation Agency, Prague (the “API”);
Czech Trade Promotion Agency, Prague (“CzechTrade”).

The audited period was from 2015 to 2020, and also, where relevant, the preceding and subsequent periods.

The audit was conducted at the audited entities from August 2020 until January 2021.

At its 7th session held on 19 April 2021, the ***Board of the SAO***
approved by way of Resolution No 10/VII/2021

the ***Audit Report*** as follows:

Aid to Small and Medium-sized Enterprises

**CZK 4,090
million**

Funds allocated in calls
announced

**CZK 2,316
million**

Funds in subsidy decisions
issued

CZK 902 million

Funds actually paid to
beneficiaries

1,047

Projects for which subsidy
decision was issued

1 per mille

Share of supported SMEs in
the Czech Republic

47%

Share of costs
of administering and
implementing CzechTrade's
internal projects

I. Summary and Evaluation

The audit was to examine whether the funds from the Operational Programme Enterprise and Innovation for Competitiveness (“the OP EIC”) allocated for aid to SMEs¹ for advisory services, marketing, education and training and Covid-19 related measures had been provided and spent effectively and economically and in a manner that achieved the set objectives.

By the completion of the audit, the MoIT had supported, through subsidy decisions, a total of 1,047 projects of a total volume of CZK 2,316.1 million, including 107 projects at CZK 490.8 million implemented in connection with Covid-19.

The provision of aid from the OP EIC for consultancy, marketing, and education and training for SMEs is problematic and it is not demonstrable to what extent the aid contributes to performing the set objectives.

Performance in the set objectives was measured by the MoIT on indicators that covered all economically active SMEs, of which aid had been provided to some only. Aid had been applied for and drawn by no more than about 1 per mille of the approximate total of 1.1 million of those enterprises. After the implementation of the OP EIC is ended, those indicators will not make it possible for the MoIT to evaluate neither the benefits from the aid granted nor the achievement of the set objectives.

The development of the values in the target indicators to be achieved is influenced by not only the aid provided, but also other economic factors. The SAO has found that some target indicator values were rising without any contribution due the aid (the *Advisory Services* aid programme) or, on the contrary, were declining in spite of the aid (the *Marketing* aid programme).

In the aided area the MoIT failed to monitor, during the sustainability period, the benefits of the aided projects in relation to performance in the set aid objectives.

The SAO has assessed the wastefulness risk in the internal projects provided by the subsidised organisation CzechTrade.

The above-mentioned overall evaluation is based on the following findings:

1. Relying on the established findings, the SAO concludes that result indicator’s values develop independently of the aid provided. The result indicators subject to evaluation are based on the total economic activity of small and medium-sized enterprises (“SMEs”), but aid was only received by one per mille of total SMEs. It is not demonstrable whether and how the aid has fulfilled the set objectives.
2. The MoIT had been preparing the first call in the *Advisory Services* aid programme for four years and first projects were not implemented until the year 2019, with only CZK 239,000 paid out. The values of the indicators measuring the result of the *Advisory Services* aid programme

¹ The terms “small and medium-sized entrepreneur” and “small and medium-sized enterprise” are used synonymously in the context of the supported area, both phrases appear in various OP EIC documents, both refer to the definition of SME as given in Schedule 1 to Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in accordance with Articles 107 and 108 of the EU Treaty.

were rising between 2015 and 2019 without any effect from the aid provided under the OP EIC. The MoIT did not monitor either the actual use of advisory services or their impact on business activity.

3. By January 2021, the MoIT had paid out CZK 701 million in the *Marketing* aid programme, but the programme's indicator measuring the result "*share of export by SMEs in total output by SMEs*" had been steadily falling from 2015. It is not demonstrable whether and how the aid has fulfilled the set objective of increasing exports and international expansion of SMEs.
4. The costs of implementing and administering the *Marketing* aid programme's internal projects, through which the beneficiary CzechTrade ensures preferential services for SMEs, are high and account for 47% of the aid's funds drawn up as yet. As the period for internal project implementation has been extended several times, the SAO points out to the risk of the share of these costs growing even higher at the detriment of the very aid to SMEs. That can lead to wasteful spending. The MoIT did not monitor the impact and benefits of the provided services on individual SMEs in terms of the ability of SMEs to develop and expand into foreign markets.
5. For the *Training Centres* aid programme, the MoIT had determined a result indicator with a reporting period of 5 years. Such indicator does not permit continual evaluations of either the development in the supported area or the fulfilment of objectives. Also, the monitoring of training centre utilisation was set up inappropriately by the MoIT, as a result of which the MoIT cannot evaluate the performance in the objectives in human resources training and development in the business sector.
6. At the time of the audit, the provision of aid from the OP EIC for measures related to Covid-19 was in the phase of issuing subsidy decisions and paying out funds. However, the indicators as defined clearly show that the MoIT will not be able to evaluate, after the projects are completed, whether the aid's purpose is achieved.
7. The API was making no evaluations of aid programme efficiency data and the MoIT did not require any such evaluations.

II. Information on the Audited Area

The OP EIC was approved by the Czech government in Resolution No 581 of 14 July 2014². The OP EIC programming document was approved by the European Commission in Decision C(2015) 3039 of 29 April 2015.

The OP EIC defines a strategy for itself to contribute to the *Union's Strategy for Smart and Sustainable Inclusive Growth*. This strategy is in line with the provisions in Regulation (EU) No

² Resolution of the Government of the Czech Republic No 581 of 14 July 2014, *on the Operational Programme Enterprise and Innovation for Competitiveness 2014–2020*.

1303/2013 of the European Parliament and of the Council³ (the “General Regulation”) and the content of the *Partnership Agreement for the Programming Period 2014–2020*.

The OP EIC is funded from the *European Regional Development Fund*. A total of EUR 4,331.063 million is allocated for the OP EIC, i.e. CZK 111,871.357 million approximately⁴. In the *Partnership Agreement for the Programming Period of 2014–2020*, the OP EIC thus represents the third largest thematic operational programme. The OP EIC is comprised of five priority axes. The allocation for OP EIC’s Priority Axis 2 *Development of Business and Competitiveness of SMEs* is EUR 892.130 million, i.e. CZK 23,043.718 (20.6% of the total OP EIC allocation).

In the OP EIC, SMEs receive aid for marketing, advisory services and education and training under Priority Axis 2 through the aid programmes *Marketing, Advisory Services* and *Training Centres*. Covid-19 related aid to SMEs from the OP EIC is concentrated in two calls in different aid programmes, namely Call V in the aid programme *Innovation Vouchers* (Priority Axis 1 *Research and Development for Innovations*) and Call XII in the aid programme *Technology* (Priority Axis 2).

Table 1: OP EIC Specific Objectives and Aid Programmes Audited by the SAO

Aid Programme	Specific Objective (“SO”)		Allocation for Announced Calls (in CZK million)	Aided Projects with Subsidy Decision (“RoPD”)	Amount of Aid Granted in RoPD (in CZK million)	Funds Actually Paid out (in CZK million)
Advisory Services	2.1	Improve competitiveness of start-up and developing SMEs	250	27	12.4	0.2
Marketing	2.2	Improve the internationalisation of SMEs	1,850	800	1,479.4	701
Training Centres	2.4	Improve capacity for vocational training at SMEs	1,380	113	333.5	172.5
Technology – Call XII	2.1	Improve competitiveness of start-up and developing SMEs	560*	99	488.4	27.5
Innovation Vouchers – Call V	1.2	Increase collaboration intensity and effectiveness in research, development and innovations	50	8	2.4	0.4
Total			4,090	1,047	2,316.1	901.6

Source: Texts for the aid programme calls, the OP EIC programming document, Resolution of the Government of the Czech Republic No 87 of 9 February 2015.

* The call’s documentation plans an allocation of CZK 300 million with options for more.

³ Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006.

⁴ Converted at 25.83 CZK/EUR, the ECB exchange rate for February 2021.

The **Advisory Services aid programme** implements specific objective 2.1. It aims to facilitate better competitiveness of SMEs by increasing the number of new business entities and new business ventures, especially those with an innovative edge with high growth potential, but also on lower value chains, and entrepreneurs in the service sector with benefits for employment. The provision of services is to be targeted at start-up and developing SMEs in order to contribute to the development of entrepreneurial activities and improve the competitiveness of SMEs. The allocation for the Advisory Services aid programme is EUR 8,559,125 (CZK 234,819,594)⁵.

The **Marketing aid programme** implements specific objective 2.2. It aims to develop business internationalisation in sophisticated services and advisory services; support SMEs with focus on new sources of growth in foreign markets; strengthen the motivation of SMEs for growth; enhance the ability and marketing readiness of SMEs to find new markets outside the Czech Republic (both territorially and product-wise), enter those markets and maintain their presence there; and support involvement in international programmes, which is connected with a better capacity for international expansion and more extensive export reach and production and sales activities.

The **Marketing** aid programme funds, among others, projects intended only for the CzechInvest Business and Investment Development Agency (“CzechInvest”) or the CzechTrade agency (“internal projects”), which both are subsidised organisations subordinate to the MoIT. In internal projects, funds are provided to CzechTrade and CzechInvest as beneficiaries, for them to use the funds for arranging preferential services for SMEs. CzechInvest provides aid focused on the development of start-ups and the strengthening of their capabilities and marketing readiness to enter foreign markets and maintain their presence there. CzechTrade provides aid in the form of discounted services for SMEs taking part in foreign trade fairs and exhibitions focused on the priority industries in the Czech Republic and on key technologies, and provides discounted services of industrial and product designers and aid for taking part in trade fairs and exhibitions focused on design promotion.

The allocation for the *Marketing* aid programme is EUR 56,540,420 (CZK 1,551,186,422.7)⁴. On 9 September 2020, the allocation’s unused portion at EUR 3,800,000 (CZK 100,776,000⁶) was transferred to the Operational Programme *Employment 2014–2020*, which had been used up because of the aid paid in connection with Covid-19 measures⁷.

The **Training Centres aid programme** implements specific objective 2.4. The programme aims to develop new and use the existing infrastructure for human resources training and development in the business sector and arrange for options to use this infrastructure for the needs of vocational training in initial technical education, which consists in the possibility of getting training in and getting familiar with new emerging technologies, skills and processes

⁵ Converted from euros as at the date of OP EIC approval by the European Commission. The exchange rate on 29 April 2015 was CZK 27.435/EUR.

⁶ Converted from EUR as at 9 September 2020, with an exchange rate CZK 26.520/EUR.

⁷ DRAFT AMENDMENTS TO THE OPERATIONAL PROGRAMME ENTERPRISE AND INNOVATION FOR COMPETITIVENESS 2014–2020, MATERIAL FOR THE EUROPEAN COMMISSION, to justify the changes proposed to the OP EIC, August 2020; the material approved by the OP EIC Monitoring Committee on 9 September 2020 following comments from the European Commission.

in the pertinent field and the new legislation related to business and effective marketing, which is a necessary part of competitiveness.

The original allocation for the *Training Centre* said programme was EUR 84,594,827 (CZK 2,320,859,078.75)⁴.

The allocation has been reduced several times after 2017:

- On 7 June 2017, the OP EIC Monitoring Committee approved reducing the original allocation to EUR 29,094,827 (CZK 765,630,373)⁸ because of low interest in the aid from the *Training Centres* programme. An amount of EUR 55.5 million was transferred to the *Real Estate* aid programme in SO 2.3 OP EIC.
- On 24 October 2019, the OP EIC Monitoring Committee approved reducing the *Training Centres* aid programme allocation to EUR 18,794,827 (CZK 481,053,597)⁹. An allocation at EUR 10.3 million was transferred to the *Innovations* programme in SO 1.1 OP EIC. The reason for this change was continued low interest in the *Training Centres* aid programme.
- In the context of the measures adopted in response to the Covid-19 epidemic, the OP EIC Monitoring Committee reduced the allocation by EUR 10,057,000 to EUR 8,737,827 (CZK 235,091,235) on 9 April 2020¹⁰. The reduction was transferred to the *Expansion aid programme* in SO 1.1 OP EIC.
- Moreover, on 9 September 2020, the OP EIC Monitoring Committee reduced the allocation by EUR 410,000 to EUR 8,327,827 (CZK 220,853,972)⁵. The reduction was transferred to the Operational Programme *Employment 2014–2020*.

The aid programmes *Advisory Services* and *Training Centres* also included ITI – integrated territorial investments. On the basis of Article 36 of the General Regulation and of the *Regional Development Strategy for the Czech Republic*, ITI may be used in defined metropolitan areas, with the Czech Republic having seven metropolitan areas: Prague, Brno, Ostrava, Plzeň, the Ústí nad Labem – Chomutov conurbation, the Olomouc conurbation area, and the Pardubice – Hradec Králové conurbation. The ITI calls in the *Advisory Services* and *Training Centres* aid programmes had the same conditions and the same rules as normal calls¹¹, the only difference being that projects under ITI calls are administered by the metropolitan area in which the project is implemented.

Call XII in the ***Technology aid programme*** aims to support and enhance the growth and competitiveness of SMEs in the production of medical devices and personal protective equipment or the disposal of infectious waste for directly tackling Covid-19.

Call V in the ***Innovation Vouchers aid programme*** aims to share knowledge and know-how between businesses and the research sphere that businesses can use in tackling Covid-19 to mitigate the impact of the spread of the disease and to support the development of marketable preventive measures.

⁸ Converted from EUR as at 7 June 2017, with an exchange rate CZK 26.315/EUR.

⁹ Converted from EUR as at 24 October 2019, with an exchange rate CZK 25.595/EUR.

¹⁰ Converted from EUR as at 9 April 2020, with an exchange rate CZK 26.905/EUR.

¹¹ Calls at national level with no regional focus.

III. Scope of Audit

The audit examined the system of providing and using the funds reserved in the *Enterprise and Innovation for Competitiveness* operational programme for SMEs for advisory services, marketing, education and training, and measures related to Covid-19, in respect of whether the funds were spent economically and effectively and whether the set objectives were fulfilled.

Audited with the MoIT were the practices of the MoIT as the OP EIC Managing Authority in preparing and providing aid to SMEs for marketing, advisory services, and education and training through the aid programmes *Advisory Services*, *Marketing* and *Training Centres*. Examined with the MoIT were the provision of aid in OP EIC Priority Axis 2 and its specific objectives 2.1, 2.2 and 2.4. Examined was also the provision of aid to SMEs in connection with Covid-19 under the *Technology* aid programme (Call XII) and the *Innovation Vouchers* aid programme (Call V announced in OP EIC Priority Axis 1).

The total volume audited at the system level with the MoIT was CZK 2,316,113,757. This volume included the amount of aid granted under subsidy decisions for each project funded from the aid programmes *Advisory Services*, *Marketing* and *Training Centres*, from Call V in the aid programme *Innovation Vouchers*, or from Call XII in the aid programme *Technology*, plus each project's total eligible expenditure as far as the *Marketing* aid programme's internal projects are concerned.

Audited with the API were the practices of the API as the OP EIC intermediate body in ensuring the first-stage project evaluation, reviewing applications for payment, reviewing selection procedures, monitoring projects during implementation and sustainability period, checking the status of SME, checking compliance with requirements by beneficiaries, and monitoring the implementation of the aid programmes. Audited were the API's practices in administering 40 projects of a total financial volume of CZK 99,126,560, which included the total funds paid out in applications for payment and, in respect of the projects where funds had not yet been paid out, the total funds requested in aid applications.

Audited with CzechTrade were the practices in using the funds drawn in the *Marketing* aid programme's internal projects and designed for SMEs to take part in trade fairs, those in evaluating the benefits for participants, those in awarding public contracts and those in administering internal projects. The volume audited with CzechTrade amounted to CZK 315,259,420, which represents the total volume of financial resources of internal projects audited at system level according to subsidy decisions.

Note: The legal regulations referred to in this Audit Report are applied as effective in the audited period.

IV. Detailed Facts Uncovered by the Audit

1. Benefits to SMEs not proved

The progress in the OP EIC implementation, which should lead to the accomplishment of the set objectives, is monitored with a set of indicators¹². *Principles for Creating and Using Indicators in the Programming Period 2014-2020* had been issued by the MoRD as methodology guidance, which included a recommendation for operational programmes' managing authorities that such result indicators should be developed at the level of specific objectives/measures/operations of programmes that would demonstrate the pertinent project's effects or the change/benefits of the programme/*Partnership Agreement for Programming Period of 2014-2020*. Indicators are to measure the result of the aid (interventions) and are an important basis for managing the programme throughout its implementation.

In SOs 2.1, 2.2 and 2.4, the benefits are monitored by the MoIT with statistical and summary indicators for the whole Czech Republic¹³, which indicators are based on all economic activities of SMEs. The development of the values in these indicators is influenced by not only the aid provided as part of the aforesaid specific objectives, but also other aid and other economic factors. **As a result, it is not possible for the MoIT to use the set indicators and get a quantification of the impact of the aid on the fulfilment of objectives and that of the anticipated benefits**, i.e. whether and how much the aid resulted in a better capacity of SMEs to find new markets and maintain their presence there, whether the aid extended the export reach of SMEs, increased the share of export in output and added to production and sales activities.

The MoIT's *Report on the Development of the Business Environment in the Czech Republic in 2018* reports a total of 1,152,735 SMEs in the Czech Republic. In relation to the total projects which received aid, i.e. 940 in the pertinent area, it is clear that **aid was granted to less than one per mille of SMEs. This shows that aid has a minimum impact on the values in the indicators monitored for the whole of the Czech Republic.**

2. In the *Advisory Services* aid programme, SMEs were aided by the MoIT to a minimum degree and yet values were rising in the indicators monitored

Specific objective 2.1 *Improve the competitiveness of start-up and developing SMEs* is implemented through the *Advisory Services* aid programme, in which a total of 27 projects had been granted aid and CZK 239,000 of aid had been paid by the completion of the audit.

¹² Article 27 of Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006.

¹³ The indicators monitored by the Czech Statistical Office and Eurostat are in some instances used by the MIT as a source for reports on the development of the business environment for pertinent years.

The first call for submitting aid applications was not announced by the MoIT until August 2019, i.e. four years after the OP EIC was approved.

The *Advisory Services* aid programme is aimed at improving the availability of advisory services, with impact expected to be on, among other things, better exploitation of market opportunities for enterprises, better marketing readiness to find new markets and maintain presence there, broader export reach and higher share of export in total output of businesses. The results and benefits of the *Advisory Services* aid programme were monitored by the MoIT with statistical indicators for the whole Czech Republic. **In these indicators, i.e. “added value for SMEs as percentage of added value for the Czech Republic” and “rate of survival of new businesses”, values were rising between 2015 and 2019 without any effect of the aid granted because first projects were not implemented by beneficiaries until 2019.** As few as 27 applicants showed interest in aid and as little as CZK 239,000 was drawn for those applicants’ projects in 2020. It is therefore clear that the aid could not have had any effect on the development of the values in the result indicators.

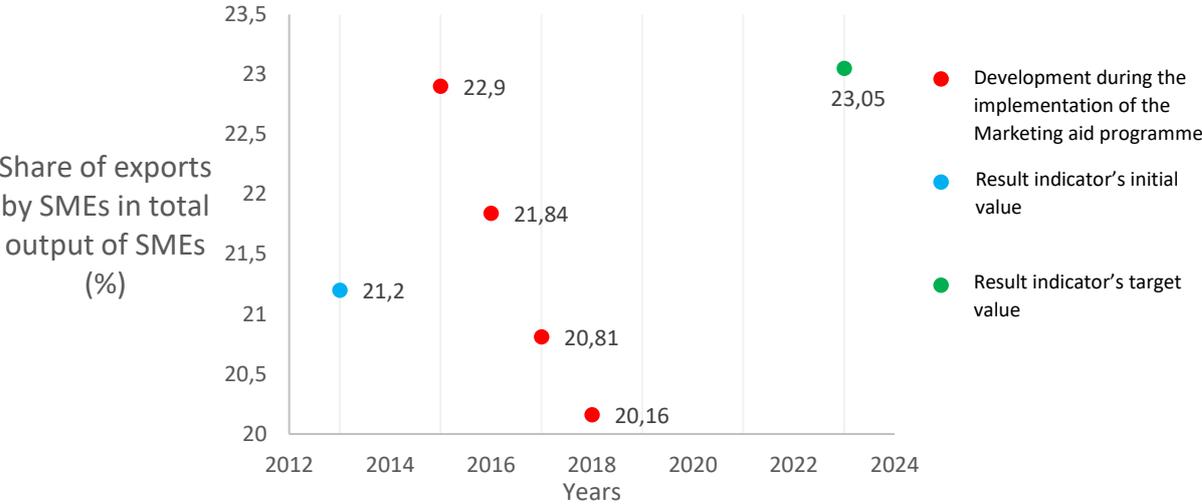
At the project level, the benefits of the *Advisory Services* aid programme were monitored by the MoIT using the indicator “*number of service areas on offer according to project scheme*”. It was the acquisition of the necessary know-how for starting or expanding business activities, improvements in production quality and efficiency, and improvements in managerial and marketing skills. For each project, the indicator target value was set to one even if the project offered multiple services. This indicator is binding on beneficiaries and was of no more use for the MoIT than monitor whether the aided enterprise offered a service as per the project scheme. **However, the MoIT did not monitor either the actual use of the services aided through the *Advisory Services* aid programme nor the impact of the aid on business activity.**

3. Even though the MoIT spent CZK 701 million in the *Marketing* aid programme, the monitored indicators were falling

Specific objective 2.2 *Improve the internationalisation of SMEs* is implemented through the *Marketing* aid programme. The implementation of the *Marketing* aid programme started in 2015. By the completion of the audit, a total of 800 projects had been granted aid and CZK 701 million of aid had been paid out. The aim of the programme is to strengthen the growth motivation of SMEs, their ability and marketing readiness to find and enter new markets outside the Czech Republic and maintain their presence there, including participation in international programmes. This is related to a better ability to expand internationally, broaden export reach and enhance production and sales capacities.

The aid granted to SMEs under the *Marketing* aid programme has not yet generated the expected increase in the share of export by SMEs in total output of SMEs. This share has been declining since 2015 despite the aid provided and therefore it is not clear whether this aid will fulfil its purpose and make any contribution to the accomplishment of the programme’s objective of higher exports and international expansion by SMEs. The results of the *Marketing* aid programme are monitored with a result indicator, the development of which is shown in Chart 1.

Chart 1: Development in the *Marketing Aid Programme’s* Result Indicator¹⁴



Source: The Annual OP EIC Report for 2019; chart prepared by SAO.

The MoIT determined project-level indicators monitoring the number of trade fairs attended by SMEs, the number cases of SMEs collaborating with a designer, and the number of services used by SMEs. The target values of these indicators are binding for the beneficiaries. However, the MoIT determined no binding indicators for evaluating performance in the projects’ aid objectives, which are better ability of SMEs to expand internationally, have broader export and expand production and sales. Although the MoIT monitors the exports by the aided businesses and their output during project implementation and subsequently over a period of five years¹⁵, the MoIT made evaluations as to the effect of the aid granted, such as attendance at trade fairs, on the businesses’ exports and output. Similarly, in respect of the internal projects implemented through CzechTrade or CzechInvest, the MoIT did not monitor the actual benefits from the discounted services provided by those subsidised organisations. **The set indicators will not make it possible for the MoIT to evaluate either the fulfilment of objectives or the benefits from the projects aided through the *Marketing aid programme*.**

4. Internal projects in the *Marketing aid programme*

Through two calls for aid applications in the *Marketing aid programme*, four internal projects were implemented by which two MIT’s subsidised organisations drew funds for providing services for SMEs. For SMEs, CzechInvest arranged and paid for services focused on the development of start-ups and the strengthening of their capabilities and marketing readiness to enter foreign markets and maintain their presence there. CzechTrade arranged and paid for services for SMEs to take part in foreign trade fairs and exhibitions focused on the priority industries in the Czech Republic and key technologies and provided discounted services of industrial and product designers and support in taking part in trade fairs and exhibitions focused on design promotion. The projects were supposed to be completed in late

¹⁴ Data for 2019 and 2020 not available by the time of the audit.
¹⁵ It is three years in Call IV.

2018, but their implementation was extended first until the end of 2020 and then, because of the Covid-19 epidemic, until the end of 2022. The SAO did not evaluate the project changes from 2020, including budget changes and project extensions, as these changes had been made in response to the ongoing global Covid-19 epidemic and the resulting restrictions that directly affected the implementation of those projects.

Since May 2016, **CzechInvest** has been implementing a project titled *CzechInvest's Internal Project to Support Start-up Innovative Businesses*. The project's goal is to speed up the development of business activities of innovative SMEs and gain experience with doing business both in the Czech Republic and on developed foreign markets, through mentor's advice, transfer of business know-how, support of product commercialization, and transfer of results of development and innovation. This is in line with the goal of the *Marketing* aid programme. The project's total budgeted expenditure was CZK 195.3 million, of which CZK 141.2 was the expenditure on the services arranged by CzechInvest for SMEs and paid by CzechInvest with the aid's funds. **The total amount allocated for CzechInvest's expenditure on arranging the project's implementation was CZK 54.1 million (27.7%).** The information on CzechInvest's project is taken from the documents supplied by the Ministry of Industry and Trade.

Since April 2016, **CzechTrade** has been implementing a total of three internal projects, namely the **NOVUMM** project facilitating SMEs entering foreign markets by arranging for SMEs to take part in foreign fairs and exhibitions; the **NOVUMM KET** project specialising in new technologies¹⁶ in the same area, and the **Design for Competitiveness** project focused on collaboration with designers and the promotion of design abroad by taking part in fairs, exhibitions etc. The total expenditure in these three projects amounted to CZK 315.3 million, of which CZK 196.1 million was spent on services arranged by CzechTrade for SMEs and CZK 119.2 million, i.e. 38%, was allocated for CzechTrade's expenditure on having the projects implemented. **As the information on the actual funds drawn by 31 December 2019 shows, CzechTrade's expenditure on having the three projects implemented accounts for 47% of the projects' total expenditure on average.**

- **NOVUMM's** expenditure budget at a total of CZK 190.3 million anticipated CZK 120 million to be spent on the services for SMEs and CZK 70.3 million (37%) on the project's administration and implementation (wages, travel expenses, shared stand, CzechTrade's overheads). The actual share of the project's administration and implementation expenditure as at 31 December 2019 was higher, CZK 37.6 million, which accounts for 46.2% of the total funds drawn for the project.
- **NOVUMM KET's** expenditure budget at a total of CZK 97.9 million (after adjustments) anticipated CZK 57,8 million to be spent on the services for SMEs and CZK 40.1 million (41%) on the project's administration and implementation (wages, travel expenses, shared stand, CzechTrade's overheads). The actual share of the project's administration and implementation expenditure as at 31 December 2019 was higher, CZK 21.6 million, which accounts for 53% of the total funds drawn for the project. More than budgeted was spent on shared Czech stands and on wages for the implementation team. As a result, the amount of funds spent on arranging for the aid from the NOVUMM KET project was higher than the amount of aid designed for SMEs.

¹⁶ These include, particular: photonics, microelectronics, nanoelectronics, nanotechnologies, advanced materials, industrial biotechnology and advanced manufacturing technologies.

- **Design for Competitiveness's** expenditure budget at a total of CZK 27 million anticipated CZK 17,6 million to be spent on the services for SMEs and CZK 9.4 million (35%) on the project's administration and implementation (wages, travel expenses, shared stand, CzechTrade's overheads). The actual share of the project's administration and implementation expenditure as at 31 December 2019 was higher, CZK 5.7 million, which accounts for 41% of the total funds drawn for the project. More than budgeted was spent as expenditure on the implementation team members.

When evaluating budgetary cost-effectiveness as part of the pre-approval evaluation of internal projects in 2016, the MoIT's evaluators stated that the administration and implementation costs were too high. This has been confirmed by how much cost was actually incurred, as specified above, which amount is higher than planned relative to the direct aid to SMEs. Consequently, extending the time of the projects' implementation may lead to uneconomical spending of the funds.

The progress in internal project implementation was monitored by the MoIT using the project implementation reports regularly submitted by CzechTrade and CzechInvest along with applications for payment every 6 months. The reports include information on the development of the indicators required to be fulfilled and information on the exhibitions and fairs held. At the same time, CzechInvest and CzechTrade submit to the MoIT *a register of end-users*, which gives a list of the businesses which received aid and the events attended by those businesses. **The MoIT did not monitor the impact and benefits of the provided services on individual SMEs in terms of the ability of SMEs to develop and expand into foreign markets.**

The SAO did not find any violation of legal regulations in the area of the administration and public procurement in the internal projects implemented by CzechTrade.

5. Aid for training centres with no evaluable benefit

Specific objective 2.4 *Improve capacity for vocational training at SMEs* is implemented through the *Training Centres* aid programme. The implementation of the aid programme started in 2015. By the completion of the audit, 113 projects had been granted aid and CZK 172.5 million of aid had been paid out. Because of low interest in the aid, the MoIT gradually transferred up to 90% of the original allocation at CZK 2,320.9 million to other OP EIC aid programmes. According to the MoIT, entrepreneurs preferred to invest in infrastructures other than education and training and, truly, almost 30% of aid applications were rejected because training capacities that the applicant could actually use had been in place already.

The *Training Centres* aid programme aims to develop new and use the existing infrastructure for human resources training and development in the business sector and arrange for options to use this infrastructure for the needs of vocational training in initial technical education, including training in and getting familiar with new emerging technologies, skills and processes in the pertinent field and the new legislation related to business and effective marketing.

For the evaluation of **specific objective 2.4**, the MoIT determined the indicators "*share of further vocational training attendees in total persons employed with small enterprises*" and "*share of further vocational training attendees in total persons employed with medium-sized*

enterprises". In November 2017, the MoIT raised these indicators' target values for 2023 from 48% to 81% and from 62% to 85% for small and medium-sized enterprises, respectively. The reason was that the original values were based on the methodology of the CSO, or the European Commission where applicable, and on CSO's regular five-year survey conducted in 2010. Next survey in 2015 was conducted using a new methodology¹⁷ and showed that the indicators' target values were markedly overperformed in 2015, which made the MoIT raise the target values in the course of the implementation of OP EIC.

This survey also showed that the vast majority of training courses was only organised by businesses as a result of statutory requirements. The new methodology has thus facilitated distinguishing between mandatory training activities required by law and training activities resulting from a business's strategy. However, the MoIT did not make any use of the option to specify more the indicators "*share of further vocational training attendees in total persons employed with small enterprises*" and "*share of further vocational training attendees in total persons employed with medium-sized enterprises*". Given that specific objective 2.4, including the *Training Centres* aid programme, is designed to support infrastructures for vocational training and improving employee qualification, those indicators are unsuitable for the evaluation of the objective and **will not provide a good basis for the MoIT to evaluate duly the benefits of the aid granted in education and training at SMEs. In addition, those indicators have a five-year monitoring interval and the MoIT could not use them for benefit evaluations until the year 2026.**

For beneficiaries in the *Training Centres* programme, the MoIT laid down a binding indicator "*new training and vocational education capacities*" and an indicator "*total number of participants*", the latter not being mandatory for fulfilment but to be considered in selecting projects. A precondition for grants out of the *Training Centres* aid programme was that the beneficiary continues to use the centre for training courses for a period of 5 years¹⁸ of the completion of the project. The beneficiary was required to use the centre for a period equivalent to 30% of total working days, with the capacity of the training centre to be utilised at 50% at minimum and the net training time to be 3 hours (180 minutes) at minimum¹⁸. **The MoIT failed to monitor whether or not the aided training centres were sufficiently utilised for their intended purpose, despite the fact that failure to meet the condition of training centre utilisation should result in having to pay the aid back.** It was not until the SAO's audit, i.e. when the aid programme had been running for five years, that the MoIT introduced, as a correction to the inappropriate indicator, a duty for beneficiaries to be filling in a dedicated table for the MoIT to monitor training centre utilisation. That table was to be submitted along with sustainability reports.

6. Covid-19 aid to SMEs with no evaluable benefit

In response to the outbreak of the Covid-19 pandemic and the related economic constraints, the MoIT has prepared two OP EIC calls (XII and V) in the aid programmes ***Technology and Innovation Vouchers*** that are designed to facilitate coping with the pandemic. A total of 107

¹⁷ Education and training of employed persons – 2015, CVTS 5 survey analysis and results, ref. no. 3019/2017-63, CSO.

¹⁸ The sustainability period is 3 years in Call III. A day of training is defined as a day when the training centre capacity is utilised to 30% at minimum and the net training time is 3 hours (180 minutes) at minimum.

projects were supported in both calls, totalling CZK 490.8 million, with CZK 27.9 million already paid by 11 January 2021.

Call XII in the **Technology** aid programme is designed to support the growth and strengthen the competitiveness of SMEs in the field of production for combating the corona virus directly. Aid is provided for projects that result in the production of materials, technologies and products in the field of medical devices and personal protective equipment or infectious waste disposal equipment for direct combat the corona virus, by *the list of personal protective equipment and medical devices* that is a schedule to the Call. This list has been prepared by the MoIT along with the Ministry of Health.

Call V in the **Innovation Vouchers** aid programme is designed to share knowledge and know-how between the business and research spheres that can be used by businesses to combat the corona virus, the resulting measures to mitigate the impact of further spread of the epidemic and to support the development of marketable preventive measures. Aid is provided for activities that include: purchasing advice, expert and auxiliary services in the field of innovation from research and knowledge dissemination organisations or accredited laboratories with focus on devices and aids for the care of sick persons dependent on care assistance, protective equipment for healthcare staff and general public, pharmaceuticals and medicinal products designed for prevention, recovery or treatment etc.

These calls' goals are monitored with the following indicators at project level:

Table 2: Indicators for “Covid-19” calls

Indicators	Call XII in <i>Technology</i> Aid Programme	Call V in <i>Innovation Vouchers</i> Aid Programme
mandatory for fulfilment	<ul style="list-style-type: none"> Number of installed technologies 	<ul style="list-style-type: none"> Innovation vouchers
mandatory for selection	<ul style="list-style-type: none"> Added value of SMEs Increased employment in the aided enterprises Number of new jobs created – women 	<ul style="list-style-type: none"> Number of enterprises collaborating with research institutions

Source: Documentation for the *Technology* and *Innovation Vouchers* aid programmes.

The only thing monitored by the MoIT through the indicator mandatory for fulfilment in Call XII in the *Technology* aid programme was whether or not the technology for the accomplishment of the Call's goals had been acquired. The Call's goal of producing materials, technologies and products in the field of medical devices and personal protection equipment or infectious waste disposal equipment, i.e. the amount of the material produced with the use of the aid provided, was not monitored by the MoIT by any indicator. **Consequently, the MoIT will not be able to ascertain whether or not the provided aid has had any effect on the production in the supported area and whether or not the aid has accomplished the defined goal.**

The only thing monitored by the MoIT in Call V in the *Innovation Vouchers* aid programme was observance of the precondition for the aid, that is, collaboration of businesses with research institutions and the number of services purchased from organisations specialising in research. **The actual use of the knowledge and know-how shared between businesses and the research sphere in accordance with the aid's goal of using knowledge and know-how shared between businesses and the research sphere on the market, was not monitored by the MoIT by any indicator. Consequently, the MoIT will not be able to ascertain whether or not Call's V aid has achieved its purpose.**

7. Role of the Business and Innovation Agency in monitoring and evaluating the benefits of aid programmes

As part of its duties delegated by Measure of Industry and Trade Minister No 18/2016 to the API as an intermediate body, the API is required to monitor the implementation of each aid programme or project that falls under the API's powers, collect and evaluate data on the effectiveness of these aid programmes or projects and pass the monitoring material data to the managing authority as directed. In addition, the API is required to prepare documents for monitoring and evaluation according to directions from the managing authority, particularly for the annual reports and evaluations carried out by the managing authority.

The SAO has established that the API monitored the implementation of each aid programme or project under its responsibility through implementation reports and sustainability reports, made sure, in particular, that the implementation reports and the sustainability reports were submitted by beneficiaries by the required dates, and also made sure that the contents of the reports and the performance values reported in the indicators were accurate. The only data provided in implementation reports and sustainability reports for the purpose of evaluating projects' benefits are the data on the fulfilment of each indicator.

The data on the effectiveness of the aid programmes/projects was monitored by the API through the drawing of funds by beneficiaries, and the API failed to evaluate the data on aid programme/project effectiveness even though such evaluation is the API's duty delegated to it as an intermediate body. Moreover, the API failed to monitor the impact of the subsidies on the improvement of the economic indicators of the aided enterprises.

Abbreviations

API	Business and Innovation Agency
CR	Czech Republic
CSO	Czech Statistical Office
CVTS	Continuing Vocational Training Survey
CzechInvest	CzechInvest Business and Investment Development Agency
CzechTrade	Czech Trade Promotion Agency
ECB	European Central Bank
EU	European Union
internal projects	Projects implemented by CzechInvest or CzechTrade in the <i>Marketing</i> aid programme
ITI	Integrated Territorial Investments
MoRD	Ministry of Regional Development
MoIT	Ministry of Industry and Trade
SMEs	Small and medium-sized enterprises
SAO	Supreme Audit Office
General Regulation	Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013
OP EIC	Operational Programme <i>Enterprise and Innovation for Competitiveness</i>
RoPD	Subsidy decision
SO	Specific objective