Ex Post Evaluation of Cohesion Policy Programmes
2000–2006 financed by the
European Regional Development Fund in
Objective 1 and 2 regions

Work package 1: Coordination, analysis and synthesis

Task 4: Development and achievements in Member States

CZECH REPUBLIC
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PREFACE

This report is intended to summarise the main aspects of regional disparities, the changes in these which occurred over the 2000–2006 programming period and the principal features of regional development policy over this period in terms of the objectives, the way that it was implemented and the contribution of the Structural Funds. It also reviews the evidence on the effects of policy as regards both the direct results of expenditure in the different policy areas and the wider impact on development as such.

It is based on three primary sources of information. The statistical data on regional and national developments over the period so far as possible come from Eurostat in order to ensure comparability with other studies carried out at EU level as well as with the other national reports produced as part of the ex post exercise.

The data on the allocation of funding and expenditure come from the INFOVIEW database maintained by DG REGIO, which itself is based on regular information from the Member States on the allocation of funding and the payments made.

Information on policy objectives, on the results of expenditure and the wider effects of this and on the procedures adopted as regards the implementation of policy comes from various programming documents and national evaluation reports as well as from impact studies which have been carried out on the actual or intended effects of programmes.

The reports, therefore, are based on existing information – or more precisely, the information available at the time they were prepared (around mid–2008) – and no new evaluation has been undertaken for purposes of preparing the report.

The report has been prepared by the Applica–Ismeri Europa–wiwiw Consortium, which is coordinating the work on the ex post evaluation of ERDF expenditure in Objective 1 and 2 regions, working closely with a national expert who was responsible for interpreting the quantitative data and the other information indicated above. Although the contents of the report have been checked with officials in DG REGIO and with the national authorities, responsibility for any errors in the factual information presented or its interpretation rests with the authors and the views expressed do not necessarily reflect those of DG REGIO or the national authorities.

1 This report was produced with the assistance of Karel Skokan, Technical University of Ostrava, Faculty of Economics
EXECUTIVE SUMMARY

The Czech Republic consists of 7 NUTS II regions eligible for Objective 1 support in the period 2000-2006 and one, Praha, the capital city, eligible for support under Objective 2. The main economic disparity is between the latter and the former regions, all of which have a level of GDP per head below 45% of that of Praha.

Growth has also been significantly higher in Praha than other parts of the country, reflecting, in particular, its more favourable economic structure, the higher quality of human resources, the less serious environmental problems and its greater attractiveness for foreign direct investment.

The problems affecting other regions are being addressed by a range of measures taken by the government, many of them included in the “Regional Development Strategy of the Czech Republic” formulated in 2000 and updated for the period 2007-2013 in 2006.

Cohesion policy in the years 2004-2006 was focused on a limited number of core areas of intervention, defined in terms of three specific objectives: the creation of conditions to improve the business environment, increased labour market flexibility to reduce the gap between supply and demand on the labour market and an improvement in infrastructure, especially in the transport system. To meet these objectives, four sector operational programmes and one regional one were defined for the Objective 1 regions and a Single Programming Document was defined for Praha. These programmes contributed to the growth of the national economy as well as of the regions, even though in a number of cases the implementation of projects was delayed.

A major problem initially in the formulation of regional development strategies was the fact that they were prepared at national level. The regions were established only in 2001 and were politically very weak with limited influence. In addition, the role of the Ministry for Regional Development in directing policy was weakened by other Ministries claiming their share of the Structural Funds. For the new programming period, the situation changed as the importance and influence of the regions grew.

The period 2004 to 2006 was the most successful in economic terms in the history of the Czech Republic. The rate of growth increased in all regions, leading to convergence of GDP per head towards the EU average level. Moreover, the disparity between Praha and other regions, which had widened appreciably in earlier years, stabilised over this period.

It is undoubtedly the case that EU accession had a positive effect on the performance of the Czech economy and regional development. It improved the institutional environment,
increased the possibilities for the free movement of goods, services, capital and labour and assisted the structural changes in the economy through Structural Fund interventions.

ERDF-financed improvements in regional infrastructure, the expansion of industrial zones, science–technology parks and innovation centres and the cultivation of the business environment also increased the attractiveness of regions for FDI, which is of key importance in restructuring and modernising the Czech economy.

In addition, EU Structural Policy had significant indirect effects by establishing a programming and planning approach in economic policy, thus enabling more targeted and so more effective support of activities for fostering economic development.

MAP OF THE CZECH REPUBLIC – OBJECTIVE 1 AND 2 REGIONS
1 REGIONAL CHARACTERISTICS AND SOCIO-ECONOMIC CONTEXT

The Czech Republic consists of eight NUTS II regions, 7 of which were eligible for Objective 1 support in the 2004–2006 programming period and one, Praha, the capital city region, part of which was eligible for support under Objective 2. Some 88.5% of the country’s population lived in Objective 1 regions, while in Praha, which has a population of almost 1.2 million, some 364,000 lived in areas eligible for Objective 2 (Table 1).

While disparities between the Objective 1 regions are relatively limited, there is a marked difference between Praha and the other regions in a number of respects. While GDP per head in Praha was 56% above the EU average in 2006, in the other regions it ranged from 58% of the average to 70%. Similarly, unemployment in 2006 averaged only 2.8% in Praha but was between 4.6% and 12.8% in Objective 1 regions. In addition, whereas in Praha productivity (GDP per person employed) was only slightly below the EU25 average, in the other regions taken together, it was 39% below the average.

Disparities in GDP per capita, moreover, widened over the first half of the present decade as they had over the second half of the 1990s, with Praha proving to be main growth pole in the country. Between 1999 and 2006, GDP per head in Praha grew by an average of 4.6% a year as compared with 4.1% in the other regions.

These differences in performance reflect a number of underlying factors:

- Differences in the structure of regional economies, with output and employment in heavy industries (iron and steel, mining, etc.) declining in number of regions, most especially in Moravskoslezsko and Severozápad, as well in textiles and clothing in Severovýchod, Střední Morava and Jihovýchod and in agriculture in Jihovýchod and Střední Morava. At the same time, there was development in the service sector in Praha (as well as in larger cities in other regions).

- Major differences in innovation potential, which is reflected in the much higher level of expenditure on R&D in Praha (well above the EU average in 2006) and the surrounding region of Střední Čechy than in other regions.

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2 The Objective 1 regions are: Central Bohemia (Střední Čechy), South–East (Jihovýchod), South–West (Jihozápad), North–West (Severozápad), North–East (Severovýchod), Central Moravia (Střední Morava), Moravia–Silesia (Moravskoslezsko).

3 The number in squared brackets refers to the number in the list of references at the end of the document.
• Differences in the quality of human resources, with the proportion of the population aged 25–64 with tertiary education being over twice as high in Praha as in any other region.

• Persistently worse environmental problems in the heavy industry regions of Moravskoslezsko and Severozápad than in other parts of the country.

• Major differences between regions in the inflow of FDI, which, reflecting the factors listed above, mainly went to Praha and the surrounding region.

Over the period 2004 to 2006, however, there was increased growth of GDP and a reduction in unemployment over the whole country and especially so in the old industrial regions. This was triggered by large-scale restructuring and FDI inflows (in the automotive, chemical, ICT and other sectors) into the less prosperous regions.

Overall, the influx of FDI into industrial sector (engineering and chemical industries especially) and services (telecommunications and banking, above all) had a major impact on the existing structure, the share of companies under foreign control in GDP rising to 38%, and led to improvements in productivity.

2 NATIONAL MACROECONOMIC CONTEXT AND POLICY

The accession of the Czech Republic to the EU in May 2004 and the run-up to this prompted an acceleration in economic growth and convergence of GDP per head towards the EU average. As a result, in 2005, the country’s World Bank status was upgraded from that of a developing country to a developed one.

Macroeconomic developments before accession to the EU were characterised by a stable rate of GDP growth at just over 3% a year – higher than the EU average. At the same time, however, this was accompanied by relatively large budget deficits (of around 6% of GDP), though with relatively small deficits on the external account and low rates of inflation (Table 2).

The macroeconomic context, therefore, was broadly favourable to regional development. Moreover, General Government fixed investment was relatively high in relation to GDP and increased over the first part of the decade (averaging just over 4% of GDP between 2000 and 2004 and rising to almost 5% in 2004).

In the two years 2004–2006, the macroeconomic context was even more favourable. GDP growth increased to 6% a year, while inflation remained at around 2% a year. The budget deficit was reduced to 3% of GDP (and to under 2% of GDP in 2007), partly because of the increased growth, while the small deficit on external account was turned into a surplus of
over 3% of GDP (and 5% of GDP in 2007). Government fixed investment was maintained at around 5% of GDP.

3 REGIONAL DEVELOPMENT POLICY AND CONTRIBUTION OF THE STRUCTURAL FUNDS TO THIS

In the first years of the present decade before accession to the EU, regional policy was based on a national strategy (the “Regional Development Strategy of the Czech Republic” prepared in 2000) and was financed from very limited national sources, though boosted to some extent by support from pre-accession Funds, PHARE, ISPA and SAPARD. In the years 2004–2006, after accession, regional policy was based mainly on EU Structural Fund programming documents and supported by EU financing from the Funds.

The formulation of a regional development strategy was accompanied by the development of a new institutional framework, with increased decentralisation and the regionalisation of responsibilities. 14 self-governing regions (kraje) were established at NUTS 3 level and 8 NUTS 2 ‘cohesion’ regions were created with their own development committees and agencies. According to the National Strategy for Regional Development, the regions are the basic building blocks for the formulation and implementation of regional development measures in the country.

The main goals of the development strategy formulated in 2000 were: to reach a regional economic and institutional level which enabled the Czech Republic to accede to the EU without major problems, to establish a functioning regional structure based on the newly-created self-governing regions and to reduce regional disparities through intervention and helping regions make the most of their potential.

A National Development Plan (NDP) was prepared and approved at the end of 2002 which focused on the regions eligible for Objective 1 as the basis for the future Community Support Framework (CSF) and operational programmes. The CSF for the 2004–2006 period [2] was, therefore, the final result of a long period of preparation and internal negotiations between different public and private, national, regional and local bodies in the country, followed by intensive negotiation with the European Commission. Two Single Programming documents for Objective 2 and 3 support covering the Praha region were prepared separately.

The global objective of the CSF was ‘sustainable development based on competitiveness’. Because of the short period, the strategy was focused on a limited number of core areas of intervention, defined as three specific objectives so as to maximise the effect:
• Creating a more favourable business environment through improving business infrastructure, the institutional structure for business development and facilities for technology transfer, strengthening links between research centres and industry, boosting the innovation capacity of the private sector and increasing labour productivity;

• upgrading the training system in order to adapt to the new demands in the labour market in an effective way;

• strengthening transport, environmental and other forms of infrastructure.

This growth-oriented strategy of the CSF was combined with several horizontal objectives with the aim of ensuring the sustainability of development, in particular, moving towards EU environmental standards, ensuring equal opportunities for men and women and for groups at risk of social exclusion, balanced regional development and developing ICT to create new job opportunities, giving special attention to rural and more remote regions and groups threatened by social exclusion.

The division of expenditure between policy areas (see Table 3) reflected these objectives. Around a quarter of the total funds were allocated to human resource development and some 20% each to transport and telecommunications and territorial policy. Around 16% of the total went to fostering the enterprise environment and 7–9% to both the environment and energy and agriculture.

Private funding made a major contribution in respect of agriculture (adding over 90% to expenditure) and, to a lesser extent, the enterprise environment and territorial policy (especially in respect of tourism within the latter) in both Objective 1 and Objective 2 regions, though especially the latter (see Table 4).

Public expenditure at the end of 2008 in Objective 1 regions amounted to around 82% of the amounts allocated, while in Objective 2 regions it was 76% (Table 4), similar to the proportion in other new Member States. Expenditure was just 66% of the budget allocated as regards human resource development, however, reflecting longer delays in project implementation than in other policy areas.

4 EFFECTS OF INTERVENTION IN DIFFERENT POLICY AREAS

A concrete evaluation of the effects of intervention in different policy areas has not been carried out yet in the Czech Republic. The first series of mid-term evaluation documents [15–21] were presented at the beginning of 2006 and focused mainly on technical aspects of
programme implementation and a first assessment of quantitative indicators. The latest 
evaluation document, published in March 2008 [22] by the Ministry for Regional 
development, affirmed that the positive economic development in the country and regions 
was favourably affected by EU Structural Fund interventions in the 2004–2006 period, as 
reflected in GDP performance and unemployment rates.

There is, however, some information available from the Annual Implementation Reports for 
the Joint Regional Operational Programme and the Operational Programme for Industry and 
Enterprise (OPIE) for 2006). Whilst limited and being confined to Objective 1 regions, this 
information gives at least a flavour of the potential effects of intervention, even though it 
mostly relates to inputs rather than output.

Enterprise environment

According to the Annual Report (2006) of the OPIE, there was high interest in the 
programmes supported from both the business and academic community. A total of 405 
projects worth around EUR 193 million were submitted in 2006 and interest increased 
continuously over the period.

One of the most popular programmes in terms of the number of project proposals was the 
“Prosperity” programme included as part of the ‘Infrastructure for industrial research, 
development and innovation’ programme. Initial problems were, however, reported as 
regards the preparation of applications, obtaining planning agreement and co-financing as 
well as finding partners able to pass on experience in project management. As a 
consequence, most of the output targets\(^4\) had not been achieved by the end of 2006\(^5\).

Nevertheless, given the training provided and cooperation activities being undertaken, it was 
expected that they will be achieved and the programme will become an important tool for 
supporting innovative businesses in the Czech Republic.

Other measures had already attained or exceeded their targets. For example, under the “The 
Real Estate Support Programme” almost 4.9 million square metres of development areas had 
been created or were planned to be built, while under the “Object construction and 
reconstruction projects”, over 289,000 square metres of floor space had been made 
available, exceeding the estimated total annual increase in demand for business premises in 
the country.

\(^4\) For, in particular, the number of newly established incubators, science and technology parks and technology 
transfer centres; business premises made available, innovative companies supported by incubators and projects 
resulting in the implementation of protection of intellectual property rights.

\(^5\) Measuring the success of a programme by the output indicators assumes that these indicators and their target 
values were chosen correctly. Thus it might well be the case that the set out target values have been chosen too 
high or too low, so that the evaluation whether a programme was successful or not using those indicators must be 
taken with some caution.
There was also much interest in the programmes supporting SMEs and product, technology and service innovation. In both areas, the initial targets were exceeded. In the case of the SME programmes, the value added of firms supported increased by over 30% as against a target of 10%, the gross number of jobs created was around 200 more than the target of 4,000 and some 38% of business start-ups were run by women as against a target of 25%. In addition, 267 projects of product, technology or service innovation were supported as compared with a target of 100, while 91 projects linking research centres and businesses received funding as against a target of 20.

In the Joint Regional Operational Programme, the focus was on supporting micro businesses and SMEs and while the implementation was delayed because of the complicated arrangements involved, the programme ran successfully with only minor problems. A positive aspect was the increase in the number of applications from micro businesses over the period.

**Human Resources**

All of the budget (co–financed by the ERDF) for support of active employment policy, lifelong learning and social integration was committed by the end of 2006; a total of 342 grant applications absorbing EUR 183.1 million of public funding – and applications exceeded the amount allocated by three times.

In the case of the OPIE programme for the support of "Infrastructure for the development of human resources in industry and enterprise", the capacity of training facilities was increased by 752 places (as against a target of 1000) and the level of use of new facilities and programmes was around 57% (just below the target of 60%).

**Transport and telecommunications**

For transport, there is no information as yet on the state of construction or modernisation of major TEN motorways and railway lines. ERDF support was focused on regional road networks and the development of public transport. Given the high demand for upgrading existing transport connections or establishing new links, there was no problem of absorbing the funds allocated. Indeed, many of the regional authorities which were responsible for local roads had the project documentation together with a list of priorities already prepared by the time funding became available.

Over 300 projects on ICT (supporting broadband connections, public Internet Access Points and regional and local communications networks) were submitted by the end of 2006 and demand for funding significantly exceeded the amount allocated.
Environment and energy

There was also high demand for funding in respect of the “Renewable energy sources” and the “Energy saving” programmes around a third of applications failed to receive support, which led the Ministry of Industry and Trade to increase the allocation of funds by around 30%. It is estimated that this resulted in an annual reduction of around 183 kilo tonnes of CO\textsubscript{2} equivalent.

Territorial policy

There is slightly more information available on territorial policy where a number of projects were financed under the Joint Regional OP. Overall, 20 applications were received under the programme for the regeneration of selected urban areas, amounting to EUR 72.3 million in total. or almost 2.5 times the funding allocated. The efficiency of those involved and the special focus of the managing authorities on this policy area meant that projects were implemented relatively smoothly.

Initial problems in project implementation and delays in the tendering processing were reported in 2006 in respect of support for improvements in the capacity of local and regional bodies to plan and carry out programmes. Nevertheless, advances have been made since then and, in most regions, regional partnerships have been established, training has been provided to target groups and lists of potential projects have been prepared, with around 3 thousand in total identified as being suitable to carry out in the 2007–2013 programming period.

Two main measures were implemented in respect of tourism, one providing support for the development of services in this area, which elicited fewer applications than envisaged, especially from SMEs, resulting in the minimum threshold for eligible expenditure being reduced and some of the funds allocated being transferred to the other measure, the development of infrastructure for the industry. Overall, however, the total of 1108 grant applications received by the end of 2006 were for a sum of almost EUR 830 million, nearly 6 times more than the amount allocated.
## 5 FORM OF INTERVENTION IN THE DIFFERENT POLICY AREAS

### Objective 1

<table>
<thead>
<tr>
<th>Policy Categories</th>
<th>Total public expenditure</th>
<th>Main forms of intervention&lt;sup&gt;6&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>EUR (mn)</td>
<td>- Non repayable subsidies</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>- Loans with reduced interest rates</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Acquisition of services and equipment (public contract)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Guarantees for credits and leasing</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Guarantees for capital investment</td>
</tr>
<tr>
<td>1 Direct support to firms</td>
<td>584.7</td>
<td>- Non repayable subsidies</td>
</tr>
<tr>
<td></td>
<td>36.6</td>
<td>- Loans with reduced interest rates</td>
</tr>
<tr>
<td>2 RTDI</td>
<td>17.5</td>
<td>- Non repayable subsidies</td>
</tr>
<tr>
<td>21 Direct support to firms for R&amp;D</td>
<td>11.2</td>
<td>- Loans with reduced interest rates</td>
</tr>
<tr>
<td>22 Indirect support for innovation</td>
<td>6.3</td>
<td>- Non repayable subsidies</td>
</tr>
<tr>
<td>3 Infrastructure</td>
<td>472.4</td>
<td>- Non repayable subsidies</td>
</tr>
<tr>
<td>31 Transport infrastructure</td>
<td>313.7</td>
<td>- Non repayable subsidies</td>
</tr>
<tr>
<td>32 Other infrastructure</td>
<td>158.7</td>
<td>- Non repayable subsidies</td>
</tr>
<tr>
<td>4 Human capital</td>
<td>171.3</td>
<td>- Grant schemes to implement or complement national policies (i.e. for public authorities and NGOs)</td>
</tr>
<tr>
<td></td>
<td>10.7</td>
<td>- Grant schemes for the modernisation of public services</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Global grant scheme (simplified grant scheme) for small projects (based on invitation)</td>
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<td></td>
<td></td>
<td>- Direct grants for individual projects</td>
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<tr>
<td>5 Local environment</td>
<td>352.8</td>
<td>- Grant schemes to implement or complement national policies (i.e. for public authorities and NGOs)</td>
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<tr>
<td></td>
<td>22.1</td>
<td>- Direct grants for individual projects</td>
</tr>
<tr>
<td>TOTAL</td>
<td>1,598.7</td>
<td>100.0</td>
</tr>
</tbody>
</table>

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<sup>6</sup> This is based on the DG Regional Policy 'Infoview' database. For the relationship between the forms of intervention (the ‘instruments’) and the Infoview categories, see the table at the end of the report.
Objective 2

The main forms of intervention in Objective 2 areas in Praha were either direct grants to individual projects or grant schemes for a number of projects to support the regional policy implemented by the city.

6 POLICY IMPLEMENTATION

The period 2000–2006 in the Czech Republic can be characterised as one of preparation for the implementation of EU cohesion policy followed by the implementation itself. The main orientation of policy was established in the Regional Development Strategy of the Czech Republic in 2000 and refined in the National Development Plan, approved in 2002, and subsequently in the CSF. The central aim was to support measures expected to increase productivity and employment creation in the long-term.

Both the planning and coordination of activities were managed by the Ministry for Regional Development which had been set up in 1997[2]. Nevertheless, its role in determining the allocation of the Structural Funds was weakened by other Ministries exerting their influence, while the regions, which were established in 2001, had limited political influence. The result was 5 sector OPs and only one Joint regional OP covering the 7 Objective 1 regions, managed by the Ministry for Regional Development, which was also the Managing Authority for the Objective 2 Single Programming Document.

The Managing Authorities for the 5 sector OPs were, respectively, the Ministries for Industry and Trade, Regional Development, Labour and Social Affairs, the Environment and Agriculture. The Ministry of Finance was the single Paying authority (PA) for all the Operational Programmes and for the Single Programming Document, except the OP for Agriculture, for which the Agricultural Paying Agency was established.

A complex system of intermediate bodies involving different government agencies as well as NGOs was also established. In the case of the OP for Agriculture, the Agricultural Paying Agency was assigned the role of both paying and implementation, the two functions being carried out independently of each other, as required. In the case of the OP for Industry and Enterprise, the main Intermediate Body was CzechInvest, though in certain areas, the Czech Energy Agency, CzechTrade and the Czech–Moravian Guarantee and Development Bank were also involved. The Intermediate Bodies for the Joint–Regional OP were the Centres for Regional Development and Regional Councils set up in each of the 7 regions.

A major problem reported in relation to all of the intermediate bodies was the limited availability of qualified skilled staff which applied throughout the period of implementation.
Monitoring committees were established for each OP and these held regular meetings on progress, while a special unit was established in the Ministry for Regional Development in 2004 to evaluate the programmes. The Mid-term evaluations of the CSF and OPs were carried out by independent authorities in 2006 [15–22].

The rate of absorption of funding accelerated during 2006 after the mid-term evaluations, according to the Status Report [28].

7 GLOBAL EFFECTS

The Czech Republic is strongly polarised between Praha and the Objective 1 regions. However, while the disparity widened almost continuously up to the early years of the present decade, since then it seems to have stabilised. The gap in terms of GDP per head was, therefore, much the same in 2005 as in 2002 (the Objective 1 regions taken together having a level of GDP per head of 41% of that of Praha in both years). Although this happened before the receipt of Structural Fund support, it is possible that awareness of this support becoming available had some effect on developments.

Structural Interventions, however, have given rise to agglomeration effects in some regions through the CLUSTER programme which was launched nationally as part of the OP for Industry and Enterprise to try to build up “critical mass” in particular sectors at regional level.

In addition, the ERDF-financed improvements in regional infrastructure, the expansion of industrial zones, science and technology parks and innovation centres and the cultivation of the business environment are likely to have increased the attractiveness of the Czech economy to foreign investors7 and contributed to the marked increase in FDI going to regions other than Praha.

The wider effects of Structural Fund intervention under Objective 2 are even harder to identify because of their much smaller scale as well as the lack of data on their impact.

8 ADDED VALUE OF THE EU CONTRIBUTION

The 2004–2006 period was in economic terms the most successful in the short history of the Czech Republic. The rate of economic growth virtually doubled from that of the 5 preceding years to over 6% a year, almost certainly boosted by accession to the EU. There were also indirect effects, not least on the institutional environment and the increased

7 In the 2006 Ernst and Young European Attractiveness Survey, the Czech Republic ranked seventh.
possibilities for free movement of goods, services, capital and labour and the increased attractiveness of the Czech economy for foreign investors.

There were also significant indirect effects from EU cohesion policy which led to the re-introduction of the programming and planning of policy and to the preparation of national, regional and sectoral development strategies. As well as the National Reform Programme and the 2006–2008 Convergence Programme of the Czech Republic, other strategies were also formulated, such as the Economic Growth Strategy (2005), the National Innovation Policy for 2005–2010 and the Export Strategy for 2006–2010.

In addition, because of the need to distribute funds to the regions and to coordinate regional development, a new Territorial Development Policy was formulated, involving the development of a more coherent and coordinated policy approach, increased decentralisation and the regionalisation of administrative structures and responsibilities. This was associated with the establishment of 14 self-governing regions at NUTS 3 level and 8 NUTS 2 ‘cohesion’ regions together with regional development committees and regional development agencies in each of the latter. These regions became increasingly involved in the coordination of EU funding and in the decision-making process over the allocation of structural intervention, with a more viable and autonomous development process emerging at regional level.

9 LESSONS FOR THE FUTURE

Experience during the 2004–2006 period suggests that implementation of development programmes at regional level is more effective than a centralised approach at national level. This is illustrated by the more successful implementation of measures under the Joint Regional OP than under centralised sector OPs, by the decentralised approach adopted for grant schemes as well as by the successful start of all 7 Regional OPs in the cohesion regions (i.e. the old Objective 1 regions) in the new programming period. By contrast, the implementation of the thematic OPs was delayed and the OP for R&D and Innovation was only approved by the Commission in October 2008.

Since disparities between the cohesion regions are limited, a possible focal point for regional policy in the future are the more pronounced disparities which exist within NUTS 2 regions, which relate, for example, to a lack of availability of public services, especially as regards education and training facilities in peripheral regions. This hinders their ability to adapt to changes in labour market requirements and for people to extend their knowledge and skills and to engage in entrepreneurial activities which is key to the balanced development of the Czech economy [29].
It is evident from the Mid-term evaluations and the partial evaluation studies [15–22 and 23–28], as well as from practical experience of the implementation of OPs, that there are problems in making effective use of the Structural Funds. These problems need to be overcome in the present programming period through measures such as:

- the creation of a simple and synoptic structure of implementation which applicants for funding have a clear idea of;
- the simplification of complicated administrative procedures which would speed up execution;
- increased administrative capacity, especially by having efficient and skilled staff capable of responding to the needs of clients in a flexible manner;
- increased capacity to absorb EU funding effectively by implementing high-quality projects.

Weaknesses as regards public administration pose a major obstacle in terms of the capacity to implement and fulfil the objectives of cohesion policy. The adverse effects of these weaknesses, moreover, stretch beyond cohesion policy and affect the whole Czech economy and society. Accordingly, reform of public administration is a key objective. The implementation of effective management principles in carrying out cohesion policy could act as a model for other parts of government.
10 REFERENCES

Programming Documents 2004–2006


13. Single Programming Document for Objective 2 for the Praha NUTS 2 Region in


Evaluation Reports


Annual Reports


Other Reports


11 TABLES

See Excel file for Tables 1 to 6:

Table 1: Regional disparities and trends

Table 2: Macro-economic developments

Tables 3: Allocation of resources by main policy area

Table 4: Expenditure at 2007 by policy area

Table 5: Allocation of resources by programme

Table 6: Expenditure by programme
### 12 CORRESPONDENCE BETWEEN POLICY INSTRUMENTS AND FOI CATEGORIES

<table>
<thead>
<tr>
<th>code</th>
<th>Policy instruments</th>
<th>FOI Categories</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Direct support to firms</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Agriculture</td>
<td>111+114</td>
</tr>
<tr>
<td>12</td>
<td>Forestry</td>
<td>121+122</td>
</tr>
<tr>
<td>13</td>
<td>Fisheries</td>
<td>142+143+144</td>
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<tr>
<td>14</td>
<td>Large businesses</td>
<td>151+152+153+154+155</td>
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<tr>
<td>15</td>
<td>Small businesses</td>
<td>161+162+163+164+165+166</td>
</tr>
<tr>
<td>16</td>
<td>Tourism</td>
<td>171+172+173</td>
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<tr>
<td>17</td>
<td>ICT</td>
<td>322+324</td>
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<tr>
<td>18</td>
<td>Development of rural areas</td>
<td>1307+1309+1314</td>
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<tr>
<td>19</td>
<td>Planning and rehabilitation</td>
<td>351</td>
</tr>
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<td>RTDI</td>
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<tr>
<td>21</td>
<td>Direct support to firms for innovation</td>
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<tr>
<td>22</td>
<td>Indirect support for innovation</td>
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<td>Infrastructures</td>
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<td>Transport infrastructures</td>
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<td>Other infrastructures</td>
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<tr>
<td>321</td>
<td>Telecommunication</td>
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<tr>
<td>321</td>
<td>Energy infrastructure (production, delivery)</td>
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</tr>
<tr>
<td>321</td>
<td>Environmental infrastructure (including water)</td>
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</tr>
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<td>4</td>
<td>Human capital</td>
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<td>41</td>
<td>Developing educational and vocational training (persons, firms)</td>
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<td>42</td>
<td>Workforce flexibility, entrepreneurial activity, innovation, information and communication technologies (persons, firms)</td>
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<td>Local environment</td>
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<td>51</td>
<td>Indirect support to firms (agriculture, forestry, fisheries)</td>
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<tr>
<td>52</td>
<td>Social infrastructure and public health</td>
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<tr>
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<td>Planning and rehabilitation</td>
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<td>54</td>
<td>Labour market policy</td>
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<td>55</td>
<td>Social inclusion and equal opportunity</td>
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<td>56</td>
<td>Development of rural areas</td>
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<tr>
<td>57</td>
<td>ICT Services and applications for the citizen (health, administration, education)</td>
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<tr>
<td>58</td>
<td>Miscellaneous</td>
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</tbody>
</table>

*Note: Forms of Intervention – FOI. See Regulation 438/2001, Annex IV, Classification 3*