



**EXPERT EVALUATION NETWORK
DELIVERING POLICY ANALYSIS ON THE
PERFORMANCE OF COHESION POLICY 2007–2013**

**TASK 2: COUNTRY REPORT ON
ACHIEVEMENTS OF COHESION POLICY**

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EXECUTIVE SUMMARY

- The main priorities of regional development policies over the period 2007–2013 in the Czech Republic are transport infrastructure, closely followed by environmental infrastructure. The third largest, but significantly smaller, allocation is assigned to business support.
- However, the order of the main priorities is different across the 3 Objectives. Namely, under the Convergence Objective the largest amount of resources is allocated to transport, under the Competitiveness Objective, the largest allocation goes to business support, while under the Territorial Cooperation Objective (OP Czech Republic –Poland) support to tourism predominates. These differences follow the logic of intervention as well as the potential of various types of regions.
- The selection of key priorities can be considered as justified given the enormous needs in terms of both transport and environmental infrastructure inherited from the Communist period.
- EU support helped significantly to combat the after-effects of the economic recession by maintaining public investment levels as co-financing of EU funded projects was considered an absolute priority by decision-makers at all levels.
- Evidence that EU support under Cohesion Policy is helping Czech regions to respond to major long-term challenges as regards climate and demographic change is so far limited.
- On the other hand, the support provided via the OP Enterprise and Innovation is bound to make a discernible contribution to increasing the competitiveness of the Czech economy through its various strands of assistance. Significant resources have been also allocated to energy security, but here the extremely generous national support framework has the most important role.
- There has been reasonable progress in implementing a significant majority of OPs. The rate of project selection and contracting in particular seems satisfactory.
- Despite some variation in the rate of implementation between the various OPs, and despite related variation in achieved output and result indicators, it can be concluded that at the end of 2009, the physical output of OPs under all three 3 Objectives was limited and no significant progress in achieving strategic goals can be identified.
- Likewise, according to available information, there is no evidence that the expenditure financed is having the intended effects in relevant policy areas so far, as the number of completed projects is small and not necessarily representative of the intended expenditure in particular policy areas.

- The need for reallocation of funding has so far been limited. Neither the priorities of regional development policy nor the relative importance attached to them has, therefore, been significantly modified since the beginning of the programming period. Surprisingly, the main reason given for the reallocation which has occurred was not insufficient demand but a fear of failing to achieve the target values of monitoring indicators (insufficient demand was the second main reason).
- There is little innovative approach to support except for the OP Enterprise and Innovation, under which some regions are preparing to take up the JESSICA initiative.
- The most typical response of Managing Authorities to the global crisis has been partial simplification of administrative procedures and the introduction of various changes in the payment systems in order to speed up payments and reduce financial pressure on final beneficiaries. Otherwise, there has been no significant impact of the crisis on the implementation of EU Cohesion Policy support (with the exception of OP Enterprise and Innovation).
- The evaluation activities related to the current programming period have been focused mostly on procedural issues. An intensive evaluation effort was also devoted to the system of monitoring indicators, which resulted in some consolidation. Despite this, the system is far from perfect. There is a significant number of irrelevant or nearly irrelevant indicators and it is impossible to aggregate the large number of specific monitoring indicators.
- The major gap in evaluation activities is evaluation of the output and results achieved and of the impacts of Cohesion Policy support on strategic goals. Instead, the values of physical indicators for projects approved are being closely observed by respective Managing Authorities as well as by the National Coordination Authority. Despite the existence of the NSRF Evaluation Plan, the evaluation activities undertaken are mostly of a responsive nature, i.e. they are focused on issues that appear to be pressing at the time and so far there has been limited focus on strategic issues (i.e. the result achieved and the impacts on strategic objectives of Cohesion Policy).
- An interesting and potentially highly relevant evaluation exercise is a recent initiative (2010) analyzing thematic operational programmes (TOPs), with the aim of investigating if these programmes have a regional dimension and to identify the regional distribution of projects. Surprisingly, even the Managing Authorities of Regional operational programmes (ROPs) pay only slight attention to the regional pattern of distributed assistance from the Funds via their OPs.
- No example of good practice evaluation has so far been identified.

SECTION 1 – SOCIO–ECONOMIC CONTEXT

During the pre-crisis period, namely between 2003 and 2007, the Czech economy achieved reasonable growth rates, averaging around 6% a year over the period (see Table 2¹), resulting in a noticeable convergence toward the EU average. Nevertheless, despite the fact that the global crisis made its appearance in the Czech economy later than in the West-European countries (due to the limited direct links between the Czech and the US economy), precursors were already evident in 2008 when the GDP grew by only 2.5%. The global economic crisis manifested itself clearly in the Czech economy during the autumn of 2008, industrial production falling in October 2008 and in December 2008, the unemployment rate increasing after a long period of a generally downward trend. This downturn manifested itself fully in 2009 (accompanied by increasing unemployment and by a significant drop in GDP), while the first half of 2010 witnessed the first signs of stabilisation or even of modest recovery. Moreover, the crisis led to a dramatic fall in the exchange rate (CZK 29.47 to the euro in February 2009 as against CZK 22.97 in July 2008), which brought to end the continuous appreciation of the Czech crown against both the euro and US dollar. This gave a positive stimulus to the Czech economy given its openness.

The sharp drop in industrial and construction output has not been translated into a dramatic rise in unemployment due to several factors. Firstly, many companies have been reluctant to shed labour, as during the previous period of growth the lack of qualified employees was perceived as one of the key obstacles to the further development of businesses. Therefore, employers have preferred to shorten the working hours of employees rather than make redundancies. Secondly, labour shortages were in the past often solved by an influx of foreign workers who were the first to go when the crisis struck the Czech economy. Thirdly, the Czech Government has encouraged firms to use European ESF finance for training idle workers. Finally, the government has encouraged employers not to shed low paid workers (who are generally considered the most threatened by unemployment) by reducing social security benefit.

An important means of tackling the global crisis should have been a change of strategy as regards the use of the EU Structural Funds and Cohesion Fund. Around the end of 2009, the provisional non-political Czech government leading the country to elections in May 2010 attempted to redesign the strategy for using the EU funds. This should have been one of the signals that the Government was taking the crisis seriously. However, the main idea of the then Prime Minister was to reallocate the funding to needed and well-performing areas of

¹ See Excel file for Table 2.

intervention. Nevertheless, expert studies as well as inter-ministerial consultation before the proposal was discussed by the Government proved that this strategy was nearly impossible. The main reason was the lengthy administrative procedure involved, since such step would have required consent of the European Commission. Nevertheless, several partial measures have been proposed instead of the originally envisaged reallocation among Operational Programmes (OPs). Among these measures, a decision to set-up an inter-Ministerial group was the most important. The task of the group was to analyse and assess the regional pattern of allocation of EU funding in each relevant sphere with the aim of checking if the allocation is in line with the sectoral strategy and, at the same time, with the needs of particular regions. Thus for the first time in the history of the Czech Republic, a kind of full scale territorial impact assessment has been launched. Since in most OPs the majority of funds have already been contracted, the real immediate effects might be limited, but the results of the evaluation might be used for the next generation of programming documents.

Surprisingly perhaps, the crisis also seems to have had several important positive effects, especially on the design of fiscal policy as the crisis revealed the structural weaknesses of the Czech system of public finance. The perception of the non-sustainability of Czech public finances was reinforced by the Greek crisis came fully to light just before the Czech parliamentary elections (May 2010). In short, the global as well as the Greek crisis contributed to the election victory of the right-wing Czech political parties pleading for a sound system of public finance and declaring the need to implement radical measures. Currently, an array of the reform measures are being prepared including sensitive measures such as an increase of indirect taxes, the introduction of fees for university students and reform of health care and of the pension system.

Recent trends in regional development

One of the most important common features of development in post-communist countries is a significant sharpening of regional disparities in levels of socioeconomic development (see e. g. Hampl, 2002; Bachtler et al. 2000) since metropolitan regions have performed much better than non-metropolitan regions. Likewise, the traditional West-East divide (re)emerged in several of these countries including the Czech Republic (for more information see Blažek, Csank, 2007). However, in the Czech Republic, around the beginning of the new millennium, regional disparities had already stabilised. More precisely, during the period 2000–2007, the earlier general trend towards widening regional disparities disappeared and was replaced by a much more complex pattern of regional development. In particular, disparities as reflected in a number of key indicators of regional development like unemployment or GDP were still widening (but by less than before) or were fluctuating around a given level, while according to other indicators, disparities started to diminish (e.g. those in wages). The main reason for this was the fact that the main players in regional development (the state, private firms,

municipalities, self-governing regions etc.) had learned how to operate under the new conditions of the market economy and, therefore, the regional pattern at least at NUTS II and III levels more or less stabilised.

Surprisingly, strong growth in China, India and in some other countries over recent years contributed significantly to the revival of at least some parts of old industrial regions, especially, of the steel industry in Northern Moravia which was for a long time the most affected Czech region. Therefore, contrary to expectations, the smallest increase in unemployment during the crisis was recorded in the two old industrial regions (Ústecký and Moravskoslezský). On the other hand, in 7 of 14 regions the rate of registered unemployment increased by more than 80% in just a year. This fact illustrates well the speed and scale of the impact of the global crisis on the Czech economy. The regions hit most according to unemployment are Liberecký, Zlínský, Vysočina, Plzeňský, South Bohemia, and Královéhradecký. Despite the need for budget consolidation (both due to the global crisis and due to large deficits), the reduction in public expenditure has been more modest than that in the income of private firms. Therefore, those regions and cities where an important part of the population is employed in the public sector are in a more advantageous position than those where the economy is not supported by the public sector (Regional disparities and trends in the Czech Republic are documented by key indicators in Table 1². Table 2 shows the development of the main macroeconomic indicators over the years 2000–2009.)

SECTION 2 – THE REGIONAL DEVELOPMENT POLICY PURSUED, THE EU CONTRIBUTION TO THIS AND THE POLICY ACHIEVEMENTS OVER THE PERIOD

THE REGIONAL DEVELOPMENT POLICY PURSUED

The main priorities of regional development policies over the period 2007–2013 in the Czech Republic are transport infrastructure (under the Convergence Objective, support being equally divided between rail and road), closely followed by environmental infrastructure. The third largest, but significantly smaller allocation is to business support. Table A below shows the weight of the main priorities under each of the Objectives of EU Cohesion Policy. It indicates how the main priorities differ across Objectives. Under the Convergence Objective the largest amount of resources has been allocated to transport, under the Competitiveness Objective, the largest allocation goes to business support, while under the Territorial Cooperation Objective (OP Czech Rep. – Poland), support to tourism dominates. These differences are in line with the

² See Excel file for Table 1 and 2.

logic of intervention as well as with the development potential of various types of regions (for example, it can be reasonably assumed that the largest potential of border regions rests in tourism).

Nevertheless, given the dominance of the Convergence Objective in terms of financial allocations, the main priorities supported under it are the main national priorities. Their selection can be considered as justified given the enormous needs in terms of both transport and environmental infrastructure inherited from the period of communism. Moreover, in the case of transport the urgency of these infrastructure investments is underlined by the geographic position of the Czech Republic and the consequent large volume of transit traffic going across the country in united Europe. While the allocation of resources on strategic priorities can be considered to be consistent with the socioeconomic needs of the country, the main problems are related to the micro-efficiency of Structural Fund interventions (see e.g. Wostner, 2008).

Table A – The main priorities according to the strategic Objectives of EU Cohesion Policy (as % of total allocation)

Priority	Convergence Objective	Competitiveness Objective	Territorial Cooperation Objective
Transport	29 (of which 21.8 TOP, 7.0 ROPs)	30	15
Environment	19	23	10
Business support	11	32	4
Tourism	3 (of which 0.3 TOP, 3.1 ROPs)	n.a.	22

Table B – The main priorities of Regional Operational Programmes as % of allocation for each ROP)

Priority	Central Bohemia	North West	North East	South West	South East	Central Moravia	Moravia Silesia
Transport	42	34	37	45	49	39	37
Urban Development	26	40	27	33	23	25	24
Rural Development	11	4	7		5	15	7
Tourism	18	18	22	20	19	19	9
Business support			4			2	
<i>Share of each ROP in total allocation of NSRF (%)</i>	<i>2</i>	<i>3</i>	<i>3</i>	<i>2</i>	<i>3</i>	<i>3</i>	<i>3</i>

Source: Monthly monitoring Report January 2010, Prague.

Table B above shows that despite some differences between the ROPs (often only in wording) their main focus is the same. However, there are differences in the weight assigned to particular priorities. While there is little variation among the ROPs in the allocation to priorities “transport”, “urban development” and “tourism”, significant differences exist in the case of

allocations to “rural development”. The smallest allocation to rural development is in the North-West region which is in line with the socioeconomic situation in this predominantly old industrial area. Consequently, it can be stated that the overall strategic focus of all three Cohesion Objectives is consistent with the needs of the country and in line with EU Cohesion Policy strategic goals.

The extent to which the funding is concentrated in the regions with the most serious problems is subject to a current inter-Ministerial evaluation exercise led by the Ministry for Regional Development and, therefore, cannot be answered at this time (for more information, see section on evaluation). In the case of TOPs (Thematic – or sectoral – Operational Programmes), the allocation of funding is based on competition without any pre-determined allocation to any region. However, several TOPs provide bonuses to applicants from the assisted regions (e.g. programmes Start and Rozvoj/Development in the OP Enterprise and Innovation). The second example of account being taken of the regional dimension is the bonus received by the projects submitted via Integrated Plans for City Development (IPRM). Nevertheless, the major factor shaping the regional pattern of support via TOPs is likely to be the territorial location of eligible applicants and their activity. The situation is different in the ROPs (Regional Operational Programmes) where the total allocation to particular ROPs was based on a set of socioeconomic criteria favouring less developed NUTS II regions, and a contribution to territorial cohesion can be expected.

Official regional policy as pursued by the Czech Ministry for Regional Development has been marginalised over the last few years. For example, the allocation to this policy for 2010 is only about CZK 300 million (EUR 11 million). If this figure is compared with the amount of funding that is distributed annually according to an equalising formula among more than 6,000 Czech municipalities (CZK 150 billion or EUR 7 billion), it is clear that one cannot expect any discernible impact of official regional policy. In other words, a vigorous equalisation fiscal mechanism operating at a local government level effectively plays the role of regional policy and the current system of local government financing can therefore be considered as the main means of reducing regional disparities, i.e. in the form of sectoral policies with large regional impacts (see also Blažek and Macešková, 2010b).

As explained above in section 1, despite serious attempts by the Government at the end of 2009 and the beginning of 2010, **neither the priorities of regional development policy nor the relative importance attached to them has been significantly modified since the beginning of the programming period.** This is in line with the Strategic Report produced in 2009 which confirmed that the overall strategy of using the Structural Funds and Cohesion Fund remains in line with the needs of the country. Nevertheless, the Strategic Report suggested a set of measures to increase the efficient and effective use of these resources which were further developed in an expert study commissioned in relation to the envisaged reallocation of

Structural Funds (the reallocation itself has not been approved by the Government as mentioned in Section 1 above).

The financial allocation by broad policy areas is shown in Table 3³.

POLICY IMPLEMENTATION

Table C provides the basic data on the progress achieved by individual OPs by the end of 2009.

Table C – Progress in implementation of ERDF and Cohesion Fund OPs at end-2009

	Commitments (approved projects as % of total allocation)	Expenditure reimbursed (% of total allocation)	Certified payments (% of total allocation)
CONVERGENCE OBJECTIVE			
OP ENTERPRISE AND INNOVATION	26.4	8.2	5.3
OP RESEARCH AND DEVELOPMENT FOR INNOVATIONS	3.7	0.6	0.0
OP ENVIRONMENT	29.0	4.5	1.6
OP TRANSPORT.	32.6	17.3	5.9
INTEGRATED OPERATIONAL PROGRAMME	23.4	1.5	0.3
ROP Central Bohemia	29.4	11.5	4.2
ROP South West	36.4	11.8	3.4
ROP North West	44.8	5.6	1.6
ROP North East	50.9	16.9	3.6
ROP South East	54.3	14.8	3.3
ROP Central Moravia	40.3	18.8	6.4
ROP Moravia Silesia	20.7	7.7	3.8
REGIONAL COMPETITIVENESS AND EMPLOYMENT OBJECTIVE			
OP PRAGUE – COMPETITIVENESS	47.9	13.9	7.4
EUROPEAN TERRITORIAL CO-OPERATION OBJECTIVE.			
OP CZECH REPUBLIC – POLAND 2007 – 2013	70.7	2.6	n.a.

Sources: Monthly monitoring Report for December 2009, January 2010, Prague, AIR OP CR-PR, Prague, June 2010.

The data in Table C show reasonable progress in the implementation of most OPs. In particular, the rate of selection and contracting of projects is satisfactory, despite being slightly behind the expectations/plans of some MAs. The pace of financial flows slowed down significantly up until the end of 2009 (both as regards reimbursement and certified expenditure). Nevertheless, in autumn 2009, a set of measures to speed up financial flows and to reduce the financial

³ See Excel file for Table 3.

pressure on final beneficiaries was prepared in response to the global crisis. The most radical of these changes was prepared (and implemented in 2010) in the ROP for Moravia-Silesia. The Managing Authority prepared a scheme under which final beneficiaries do not need to cover the EU share of co-financing. The scheme operates in the following way. When the final beneficiary receives a proper invoice, they put their share of co-financing (e.g. 15%) into a special bank account and send the invoice to the Managing Authority. The latter checks the invoice and if no irregularities are found it authorises the bank to add the EU share of co-financing to the money sent by the final beneficiary and to send the whole amount on the invoice. The scheme therefore completely eliminates the need by final beneficiaries to pre-finance the EU share of co-financing. The negative side of this scheme is a bigger administrative load for both the MA and final beneficiary. However, the new scheme has not replaced the existing one but given an alternative to final beneficiaries who would have financial difficulties in meeting a need for pre-financing. These measures were introduced only in January 2010. Up until the end of 2009, therefore, in a large majority of projects eligible expenditure was reimbursed only after they had been completed. This way of reducing risk on the one hand limits the number of irregularities, but on the other increases the financial burden on beneficiaries which are often forced to take up a loan to pre-finance the share of co-financing and obviously, lowers the rate of reimbursement. Currently, most OPs employ much faster forms of payments. Nevertheless, the results of these changes will be discernible only in the financial indicators for 2010.

The only OP which is clearly lagging in implementation is OP Research and Development for Innovation. The major reason for this was belated approval due to difficulties in designing this novel type of OP (at least for the Czech Republic). Consequently, the first call for projects was opened only in March 2009. However, the slow start of the OP should not necessarily be interpreted negatively. Among the main reasons for the delay in implementation is (along with the obvious complexity of projects for the establishment of research centres of excellence of regional or European importance) a stress on having a high quality procedure for selection. In addition, a special effort has been made to make sure that suitable mechanisms are included in each project supported in order to guarantee that the money is used efficiently and effectively and that the targets promised are met. Nevertheless, according to information available, this is the only OP with a real risk of decommitment as a result of a failure to meet N+3 obligations at the end of 2010.

Large differences in terms of the number of applications, the number of approved projects (from hundreds to thousands) and the nature of individual projects make direct comparison of performance of the various TOPs difficult. For example, the projects in the environment and transport frequently need to meet building requirements and to obtain planning permission which is time-consuming. There are significant differences even among particular priorities

within the same OP. The figures in Table C, therefore, do not allow a rigorous assessment of progress and should be considered as approximate.

A discernible variation in the performance indicators provided above has also been recorded in the ROPs which generally follow the same strategy and provide support in the same areas of intervention (despite some differences in wording). For example, the rate of contracting in the best performing OP is more than twice that in the worst performing NUTS II region. However, according to available information, in practice, the “worst performing” NUTS II region in financial terms is the region with a highly professional, committed and innovative MA that follows a clearly defined strategy and which examines the effectiveness and efficiency of projects submitted carefully. Consequently, rather paradoxically, the Managing Authority of this OP received a prestigious European Public Sector Award 2009 for its innovative and efficient management in line with its motto “Inspired by business”. In addition, the Strategic Report of 2009 provides a list of 7 examples of best practice of which 3 are from this ROP. Therefore, the financial indicators should be considered to be only approximate and do not in all cases reflect real overall performance.

It can be argued that the first meaningful “ranking” or evaluation of the performance of OPs, especially of ROPs which are reasonably comparable, will be possible at the end of 2010, when the N+3 rule will be applied for the first time.

ACHIEVEMENTS OF THE PROGRAMMES SO FAR

Objective Convergence

Regional Operational Programmes (ROPs)

To examine the progress achieved via the ROPs until the end of 2009, 4 ROPs out of 7 have been examined in detail. The sample was designed in such a way as to cover the most populous NUTS II regions, to balance various types of regions (the old industrial region of Moravia Silesia has been included), and to cover both well performing and less-performing ROPs.

Consequently, the following ROPs have been selected for detailed scrutiny: South East, Central Moravia, Moravia Silesia and North East. It has to be stressed that there are significant differences in the number of project completed (both physically and financially) among the ROPs which are reflected in the different values of physical indicators.

All ROPs support 4 main areas: transport, urban areas, rural development and tourism; some regions also support the business environment. Generally, it can be said that non-zero values of relevant physical indicators have been achieved in the case of new and reconstructed class II and III roads (reconstructions clearly dominate over the construction of new roads). Altogether around 200 kms of these roads have been reconstructed in these 4 NUTS II regions. However,

reconstructed roads represent only a small fraction of all roads in these regions – between 0.5% and 1.3%.

The second relevant indicator where positive values were recorded is the length of new or reconstructed cycle paths. In the 4 NUTS II regions examined, around 50 kms of paths were completed before the end of 2009.

Three relevant indicators are related to urban and rural development – the renovation of towns and villages, the reclamation of brownfield sites, and the reconstruction of buildings (Table D below provides information on selected monitoring indicators).

The estimated number of new jobs created across all priorities, including tourism, is small. It should be stressed, however, that a significant range of projects has been supported, which cannot be covered by these basic indicators (for example, new equipment has been installed in several health centres and playgrounds for children have been completed).

Table D – Selected monitoring indicators for ROPs at the end of 2009

Indicator	North East	South East	Central Moravia	Moravia Silesia
new and reconstructed roads of class II and III (Kms)	33.6	55.2	61.6	65.6
new or reconstructed tracks for cycling	20.9	7.8	23.7	
renovation of urban/village space	4.11	7.16		6.83
reclamation of brownfield sites (ha)	0.1	0.03	0.74	0
reconstruction of buildings (sq metres)	1,505	111,000		43,637
new jobs created	94.0	49.3	26.3	9.0
new or renovated hotel beds	253	211		0
<i>Number of completed projects</i>	38	59	139	1

The measures and projects being funded seem to be in line with the policy objectives set (i.e. enhanced competitiveness, an increase in the quality of life, elimination of infrastructure deficits etc.). On the other hand, the regional dimension of support (for example, the share of projects implemented in assisted areas as one of the important components of the strategic goal of territorial cohesion) is often not reported on.

The basic problem with the monitoring indicators is their limited comparability (for example, some ROPs measure rehabilitation of buildings in square meters while others in numbers of building). Indicators that relate only to the number of projects in a certain area of intervention instead of any physical output are often problematic. Thirdly, delayed publication of the official statistics on the values of context indicators complicates the interpretation of the results

achieved. Therefore, according to available information, there is no evidence that the expenditure financed is having the intended effects in the relevant policy areas.

No innovative support measures, such as revolving funds have so far been recorded, but the Moravia Silesia region is preparing the procedures to join the JESSICA initiative.

The need for reallocation has so far been fairly limited, but, surprisingly, the main reason given for reallocation was not an insufficient demand but a fear of failure to achieve the target values of monitoring indicators. This shows that the monitoring indicators are taken seriously, despite the problems with the overall design of the whole system which in all the ROPs examined required some adjustment and in several cases have been subject to special evaluation exercises.

The most common implementation problems encountered by ROPs are the need for adjustment and for better links between different monitoring systems, improper design of monitoring indicators, cumbersome selection procedures and excessive administrative demands on applicants. In response to the global crisis, several ROPs implemented a new and faster system of payments, e.g. so called modified payments limiting the need for project holders to pre-finance EU co-financing. Nevertheless, neither of these has affected the achievement of quantified targets. Most Annual Implementation Reports (AIRs) concentrate on the rate of absorption and on the contracted values of monitoring indicators. On the basis of contracted values, all MAs responsible for the ROPs examined are confident that a large proportion of monitoring targets will be fulfilled or exceeded by the end of the programming period.

Finally, the differences in performance observed between the ROPs examined should be interpreted with caution, as none of the respective MAs was aiming to deliver the maximum possible physical outputs by the end of 2009. Moreover, all ROPs are meeting the N+3 rule.

Thematic Operational Programmes (TOPs)

In the Czech Republic, there are three major TOPs, each with over 10% of total allocation of the NSRF. These are OP Transport (21.8%), OP Environment (18.5%) and OP Enterprise and Innovation (11.5%). In addition, there are three smaller TOPs financed by the ERDF, namely OP R&D for Innovation (7.8%), Integrated OP (6%) and OP TA (0.9%). This evaluation will focus mainly on the 3 major TOPs representing nearly 52% of the total allocation for the Czech NSRF.

Transport OP

There are 5 main priorities in this OP. Two of them are related to rail, two to roads, while the 5th mostly concerns the Prague underground. The allocation of support between road and rail is fairly balanced (45% and 46% respectively), though in relation to the share of rail in total transport (only by around 20%), there is in fact a significant preference for rail. Despite this preference, in this programming period, there is no plan to start construction of high-speed rail

which could effectively compete with air transport, at least for some major destinations like Berlin, Vienna, Munich or Budapest. For both rail and road, a preference is given to upgrading the sections of the TEN-T network. The allocation to the extension of the Prague underground network represents 5% of this OP.

The overall strategic focus, therefore, seems to be in line with the needs of the country and is also in line with the EU transport policy as preference is given to rail and significant resources are allocated to sustainable urban public transport (the metro in Prague).

Table E – The values of selected monitoring indicators for OP Transport at the end of 2009

Indicator	Value
Reconstructed railway lines in TEN-T network	9.6 km
New roads in TEN-T network	0
Reconstructed rail tracks outside the TEN-T network	4.7 km
New roads of class I	3.1 km
Reconstructed roads of class I outside the TEN-T network	36.6 km
Number of completed projects (constructed)	41

Source: AIR OP Transport (2009)

Despite the fact that 41 projects have been completed in terms of construction, the overall results of this OP as reflected in the indicators in Table E can so far be assessed only as having made modest progress given the scale of the persisting deficits in transport infrastructure in the Czech Republic.

During 2009, a reallocation of EUR 15 million from technical assistance to Priority 1 (rail) and Priority 2 (road) was approved by the EC. Significant adjustments have been made to monitoring indicators (changes in definitions, names, target values, etc.). Despite the imperfections, the basic indicators of outputs and results at least can be considered as relevant and as capturing well the strategic aims of the OP.

There is at least one important target which is not likely to be fulfilled by the end of programming period – the share of roads in total transport to remain unchanged, whereas in practice it is increasing. Otherwise, up until the end of 2009 no serious implementation problems that might endanger successful execution of the OP were reported.

The Environment OP

The largest share of the Environment OP has been allocated to improving water quality (38.4%), followed by waste disposal (15.8%), renewable sources of energy (13.7%), improvement of air quality (12.9%) and enhancement of the landscape (12.2%). Surprisingly, only 2% of resources are devoted to flood prevention despite the number of severe floods which have taken place in the Czech Republic over the past few years. However, some projects supported under

“optimisation of the water system” may also be related to flood risk. Under-estimation of resources allocated to anti-flood measures has to some degree been moderated by the partial reallocation of resources from “improvement in the quality of drinking water”.

These allocations were mainly driven by a need to comply with the EU regulation on the treatment of water. It should be stressed that at the time of the collapse of Communism there was a large deficit as regards waste water treatment. **The allocation of resources to particular priorities and areas of intervention can, therefore, be considered to be justified, except for a possible under-estimation of the need to invest in anti-flood measures.** On the other hand, a large part of the flood-related losses can be attributed to inadequate provisions in planning which frequently allows new construction in high-risk areas. Table F provides an overview of key physical indicators in this area.

Table F – Values of selected monitoring indicators for the Environment OP at end-2009

Indicator	Value
Decline in weight of CHSK(cr) pollution	7,276 tons (or 35%).
Length of new or reconstructed sewerage systems	66.2 km (target 120 km)
Number of inhabitants newly connected to the sewerage system	244,000 (end-2008)
Number of inhabitants newly connected to water mains	161,000 (end-2008)
Decline in energy consumption	134,069 Gigajoules pa
Increase in electricity generating capacity from renewable sources of energy	0.94 MW
De-contaminated areas	101,595 square metres
Reclaimed areas	739 ha (target 1,000)
Share of recycled waste in total	+1.5% (i.e. 83.2%)
Number of financially completed projects	297

Source: AIR OP Environment (2009)

On the basis of the data shown in Table F, it can be concluded that the Environment OP is probably the one where the most physical outputs and results had been produced by the end of 2009. For several indicators, over 50% of the target for the whole programming period had been achieved. On the other hand, the progress made differs significantly between priorities. For example, in the case of priority 2 (improvement of air quality) or priority 5 (limiting industrial pollution) not a single project had been completed which contrasts sharply with a significant progress in priority 1 (improvement of water infrastructure) or priority 6 (improvement of the landscape).

Despite an attempt to prepare a revolving fund for selected areas of intervention, this proved to be impossible for legislative reasons.

As in the case of other OPs, the MA of the Environment OP also commissioned an evaluation, aimed at optimising the set of monitoring indicators used (changes of name, units, types and

target values). A typical feature of the set of impact indicators at the programme level is their delayed publication. Consequently, only the data relating to 2008 or even 2007 are available.

Three evaluations were targeted at assessing the effectiveness of the process of administering project applications in order to simplify selection procedures and at various other implementation issues.

The Environment OP is one of few that has taken the regional dimension of support seriously into account (to this end, regional working groups have been established and projects to be implemented in assisted regions receive a bonus during the project selection process).

Likewise, in the case of projects which are part of Integrated Plans for Development of Towns, the Environment OP assigns bonuses up to 10% of the points achieved.

Enterprise and Innovation OP

This OP supports a large variety of business related activities. The resources allocated, however, are concentrated on 3 priorities which represent nearly 80% of the total. These are: priority 2 (development of firms), priority 4 (innovation, programme Innovation and potential) and priority 5 (environment for business and innovation – programmes Cooperation, Prosperity, Educational Centres and Premises). In addition, a programme on energy saving and renewable energy sources is supported under priority 3. The Enterprise and Innovation OP also widely applies other forms of support apart from direct grants (i.e. loans, guarantees, etc.).

The strategy, as well as the forms of support, can be considered as being in line with modern EU approaches (support for spin-off firms, protection of IPR, business angels, clusters and technology platforms, cooperation between firms and R&D institutions, business infrastructure, such as incubators, and science and technology parks). Nevertheless, greater attention (and resources) should have been devoted to the development of own technologies instead of simply the purchase of new technology. Secondly, other ‘state of the art’ forms of support might have been explicitly supported, like “proof of concept funds” or “innovation vouchers”.

The enterprise OP is probably the one which devotes attention most systematically to the regional dimension of support. The regional dimension (allocation) is analysed for all priorities and programmes and some programmes are targeted exclusively at assisted regions (programme Development). In addition, the programme has been flexibly extended to micro-regions severely affected by the global crisis. Likewise, several programmes of this OP are being coordinated with Integrated Plans for the development of towns (IPRM). Table G provides an overview of key indicators.

Table G – Values of selected monitoring indicators for the Enterprise and Innovation OP at end-2009

Indicator	Value
Number of new jobs created	3,592
– of which number of jobs created in R&D	305
– of which number of jobs created in assisted regions	924
Number of firms created	131
Share of innovated products on turnover of supported firms (sample of 86 firms)	22.5
Number of new CTT and of Science and Technology Parks	5
Number of new business incubators	5
New generating capacity from renewable sources of energy	4.5 MW
Reconstructed business premises	185,500 sq metres
Number of financially completed projects	n.a.

Source: AIR OP Enterprise and Innovation (2009)

Despite some progress in key physical indicators, as documented in Table G, the overall progress at the end of 2009 was varied and modest overall. This is due to the early stage of implementation of this OP, the significant differences in the rate of implementation among the priorities being due to the different nature of the projects supported and the time needed for completion. The results so far, therefore, can hardly be considered as representative for assessing the likely overall performance over the whole programming period. For example, despite the fact that the number of new jobs created is by far the largest among all the OPs examined, so far the number falls far short of the target value (40,000).

Two factors adversely affected implementation of this OP. First, despite significant efforts, there is still a considerable fluctuation in management personnel who have left for jobs in the private sector. This problem has been addressed by a new motivation system for longer serving employees as well as by intensive training for new personnel. The second factor is the global economic crisis which has limited the need for new production capacity as demand fell significantly. This problem does not only reduce the demand (which however still remains high) but in a number of cases leads to approved projects being relinquished. For some projects already completed, the problem of sustainability has emerged. On the other hand, the MA responded to the change in conditions caused by the crisis by simplifying the administration of projects and speeding up payments by introducing a more flexible division of projects into their various phases.

The MA has commissioned several evaluations, which were, however, focused on problems of implementation (3 studies) and absorption capacity (2 studies). No evaluation of physical progress achieved in implementation of the OP has been undertaken so far.

Only 4 projects had been approved in **the R&D for Innovation OP** by the end of 2009. Consequently, not a single project had been completed and the values of all output and result indicators are equal to zero. As already noted above, this is the only OP in danger of decommitments at the end of 2010.

Competitiveness Objective

Under the Prague–Competitiveness OP, 40 projects of 125 approved ones had been completed by the end of 2009 (25 of which had also been completed financial terms). No major impact of the global crisis has been recorded (only two successful applicants – both SMEs – pulled out during the implementation phase due to economic difficulties). On the other hand, the MA responded to excessive demand for support in some areas by reallocation to transport accessibility and ICT and most especially, to economic and sustainable usage of energy and of natural resources (funding more than doubling).

The following outputs and results have been achieved:

Priority 1 (transport accessibility and ICT): 2.2 kms of new or reconstructed tram lines and 1.1 km of cycle path.

Priority 2 (the environment): 6.8 hectares of regenerated area (14% of the target value) and one reconstructed historical monument or building (20% of the target value).

Priority 3 (Innovations and enterprise): 3 licences or patents (100% of target value), 1,038 square metres of new or modernised business premises (target value – 9,500 square metres), 625 square metres of new or reconstructed premises for R&D (target – 2,500 square metres and one case of cooperation between firms and research centres (target value 25).

All these figures confirm that at the end of 2009, the physical output of this OP was limited (with the few minor exceptions).

Two evaluations have been undertaken by the MA of the OP. The first focused on assessing the management system with a special focus on evaluating the project selection process. On the basis of this, several modifications of the evaluation process have been made (e.g. provision of justification of points assigned by evaluators is now required). The second evaluation was commissioned in order to specify the focus of a call for proposals in relation to the development of SMEs. This evaluation resulted in a detailed specification of the sectors in which applicants were operating. In addition, at the end of 2009, an evaluation of physical and financial progress was undertaken (in conjunction with the preparation of the AIR).

Territorial Cooperation Objective

As regards the Territorial Cooperation Objective, the Czech authorities act as MA only for the Czech Republic–Poland OP, under which not a single project was completed up to the end of 2009 which contrasts sharply with a high level of commitments (over 70% of total allocation).

The values of monitoring indicators are, therefore, equal to zero in most cases. However, some outputs and results were recorded for some indicators.

In the case of the priority 1 (support to accessibility, protection of the environment and prevention of risks), the only indicator with a non-zero value is the “number of people benefiting from projects aimed at risk prevention” (68,000). (Indicators of transport infrastructure are not designed properly in this case since they do not indicate outputs or results but only the number of projects implemented).

Priority 2 (Business environment and tourism) is one in which so far, the interest of final beneficiaries is lowest. This is due to two main factors. First, the applicants for projects under the development of the business environment cannot be firms but only business associations such as chambers of commerce, which significantly limits the target population. Second, there is relatively limited cooperation between Czech and Polish universities in border areas which limits interest in cooperation in the education area. Nevertheless, two new or reconstructed accommodation facilities had been supported by end-2009 (target 250), 5 tourist attractions had been introduced (target 70) and 126 people had been retrained (target 7,500). All these figures confirm that by the end of 2009 the results achieved were very modest (close to zero).

Finally, in the case of the 3rd priority (support to cooperation of local communities), the following had been achieved:

- Number of cooperating local communities: 2 (target 200);
- Number of people participating in supported events: 22,258 (target 50,000);
- Number of people participating in educational activities: 318 (target 2,500).

The number of people participating in supported events (22,258) represents almost half of the target number (50,000) and seems to indicate relatively high interest. However, a completely different picture emerges when the size of the population living in these border areas (7 million) is considered. Even in the case of this priority, therefore, the results achieved before the end of 2009 were very modest. Consequently, by this time, there was no evidence that the expenditure financed was having the intended effects.

It has to be stated that in our opinion some of the programme and priority indicators are not set properly as they measure only the number of approved projects (e.g. the number of projects satisfying given criteria as defined in the Regulations). Moreover, the 2009 AIR states that indicators need to be redesigned, including a revision of their values. This proves that the indicators have been taken as indicative only during the drafting process and have not been designed in a rigorous way. No innovative measures have been applied in this OP.

SECTION 3 – EFFECTS OF INTERVENTION

Convergence Objective

Regional Operational Programmes

Despite some variation in physical output among the 4 ROPs examined, it can be concluded that at the end of year 2009 the physical outputs of these OPs were limited and therefore, no significant effects (impacts) on achieving strategic goals can be identified.

Thematic Operational Programmes

On the basis of the data available it can be concluded that the Environment OP is probably the one with the most physical outputs and results at the end of 2009. For several indicators, over 50% of the target value for the whole programming period had been achieved. However, this applies only to priority 1 (improvement of water infrastructure) and priority 6 (improvement of the landscape). Nevertheless, even in this area, the effects are not evident so far, not only because the relevant impact indicators have not yet been published but also because of the complex causality between projects being completed and the effects on end-objectives showing up.

Despite some progress in achieving physical indicators in the remaining two key OPs, i.e. the Enterprise and Innovation and Transport OPs, the scale of results achieved by the end of 2009 does not provide any evidence of their impact. Moreover, the impact of the Enterprise and Innovation OP will inevitably be affected by the global economic crisis.

Competitiveness Objective

As stated above, the physical output of this OP (with few minor exceptions) was limited and therefore, no effects (impacts) on strategic goals can be identified so far.

Territorial Cooperation Objective

Given the results so far achieved in the only OP relevant to this Objective, it should be concluded that no measurable physical effects can be recorded. However, the number of approved projects suggests that the programme does contribute to the second strategic goal of this OP (i.e. support for friendly cooperation). This is emphasised by the fact that almost all of the projects approved before the end of 2009 satisfied all 4 criteria as defined in the regulations (110 projects out of 111 approved).

On the basis of the information available it can be concluded that a major part of the support provided by the ERDF and Cohesion Fund was focused on relevant policy areas. Moreover, the support helped significantly to combat the after-effects of the economic recession by maintaining public investment levels, as co-financing of the EU funded projects was considered an absolute priority by policy-makers at all levels.

The evidence that EU support under Cohesion Policy is helping Czech regions to respond to major long-term challenges in respect of climate and demographic change is so far limited. On the other hand, the support provided under the Enterprise and Innovation OP is bound to have contributed to the increased competitiveness of the Czech economy. Significant resources have also been allocated to energy security, but here the extremely generous national support framework plays the major role.

SECTION 4 – EVALUATIONS AND GOOD PRACTICE IN EVALUATION

In the current programming period, evaluation activities can be divided in two main groups. The first set comprises those studies that are undertaken or initiated by the National Organ for Coordination (NOK). The second set consists of studies commissioned by individual Managing Authorities. It should be stressed that the number of evaluations of the second type is greater than of the first. This is due to several factors: first, the relatively weak position of the central coordination body (NOK under the Ministry for Regional Development), on the one hand, and the highly autonomous behaviour of most of the MAs, on the other; secondly, the evaluations undertaken are so far related mostly to procedural or implementation issues which are to a certain extent specific to each OP. However, the major topic which is represented in both groups is evaluation of monitoring indicators, which is one of the areas where significant inconsistencies and other problems have emerged (e.g. different definitions even of basic indicators such as “number of approved projects” in different OPs).

The main result (which was however achieved only in mid-2010) is a certain level of consolidation of the system of monitoring indicators which enables relatively large numbers of indicators to be aggregated. Nevertheless, there are still at least two fundamental problems linked to the system of monitoring indicators. The first problem is a significant number of irrelevant or virtually irrelevant indicators (like number of projects – this fact is even admitted in some AIRs) and the second problem is the large number of monitoring indicators. This is partly related to the high degree of fragmentation of Cohesion Policy support due not only to a large number of OPs but more especially to the very large number of areas of interventions which, in some cases, are highly specific and therefore require specific indicators making aggregation impossible. There are also numerous evaluations focused on the issue of absorption capacity in particular areas of intervention. These tend to result in a set of recommendations for MAs or Monitoring Committees, such as better promotion, adjusting the conditions in particular areas of interventions, extending the list of final beneficiaries, reallocating resources, and so on. Several evaluations have also focused on project selection criteria.

Finally, a few evaluations have analysed the impact of the global financial and economic crisis on the implementation of Cohesion Policy in the Czech Republic. One issue examined, for

example, concerned the problems of co-financing in the public sector and the shift of interest in private firms from building new capacity to reconstructing existing capacity.

All evaluations are usually based on qualitative methods (e.g. surveys of successful and/or unsuccessful applicants, focus groups of all those involved, and so on). Quantitative methods (usually basic statistics only) are used for framing the evaluation, such as for identifying low-performing areas of interventions. According to the head of the department of the Ministry for Regional Development, who is responsible for evaluations, no evaluation exemplifying best practice has so far been undertaken in the Czech Republic.

From the above, it follows that the major gap in evaluation activities is assessment of results and impacts of Cohesion Policy with respect to its strategic goals. This can be partly justified by the fact that the main effort has so far been on putting the implementation system into place and by a sort of “obsession” with the rate of absorption. One reason is also that so far only a limited number of projects have been completed and therefore, the values of physical indicators are low and – even more importantly – non-representative since it is mostly small and “simpler” projects which have been undertaken.

However, the evaluation unit of the Ministry of Regional Development is aware of this situation and is closely watching the values of physical indicators contracted in approved projects. This evaluation is of an on-going nature (on a monthly basis) and the results are used for Monitoring Committee of NSRF and other central bodies responsible for the coordination and implementation of Cohesion Policy. In cases of significant departure from contracted and planned values, the MA responsible is asked to explain the reasons and invited to take remedial action. However, there are at least two problems with such an approach. First, up to now, almost no attention has been paid to unit cost, i.e. to the efficiency of support. Secondly, there was only very limited experience with the specification of target values of monitoring indicators during the preparation of particular OPs. Moreover, according to our knowledge, these indicators were often considered to be only approximate by drafting teams and MAs. Consequently, the target values of monitoring indicators can be regarded merely as estimates. Therefore, exceeding or failing to achieve the quantified targets may be misleading when it comes to assessing the overall performance of particular OPs. This became clear in a conference (held in Prague in spring 2010) devoted to the evaluation of the performance of OPs during the previous programming period, where large spreads in both directions between planned and actual target values of monitoring indicators were revealed. Instead, the unit cost approach should be applied wherever possible. Generally, it can be said that despite the existence of the NSRF evaluation plan, the evaluation activities performed are mostly of a responsive nature (i.e. the evaluations focus on area that are considered as currently pressing) with limited focus on strategic issues (i.e. on the results achieved and on the effect on strategic objectives of Cohesion Policy). In addition to these

evaluations, MAs have also gained important insights into particular aspects of Cohesion Policy from several working groups both at the NSRF individual OP level.

A recent initiative (2010) to analyse the regional dimension of TOPs is an interesting and potentially highly relevant evaluation exercise. Its concern is to investigate if there is any explicit regional dimension in the support provided by these OPs, and secondly to identify the actual regional distribution of projects. An inter-Ministerial expert group was set up in spring 2010 to this end. So far, only the first part of the study has been completed (i.e. analysis of the explicit regional dimension in the TOPs). Most TOPs introduced certain bonuses for projects implemented in assisted regions as defined by the relevant Government decree. To analyse the actual regional pattern of support from the TOPs, a means of exporting data from the monitoring system to enable this to be examined is currently being prepared. It should be emphasised that this evaluation exercise is a result of one of the recommendations from the 2009 Strategic Report produced by the consultancy firm in question.

In addition to these evaluations directly related to EU Cohesion Policy, several in-depth studies have been undertaken in conjunction with the implementation of regional innovation strategies in several regions. For example, in the leading Czech region as regards innovation support (South Moravia which is a part of the South East NUTS II region), a survey of barriers to innovation among R&D institutions has been commissioned (140 researchers were interviewed). The survey indicated that among the factors stimulating commercialisation of R&D results are also the rules governing support from the EU Structural Funds which require cooperation between firms and public R&D institutes. On the other hand, some researchers were concerned that EU support of applied research might reduce the motivation of firms to allocate their own resources to R&D. The researchers also emphasised that the cumbersome administrative procedures governing EU support can be learned and that to prepare second and subsequent projects is far easier than the first. This point is confirmed by the fact that the applicants that have already been successful in their applications tend to apply again for new projects. For an overview of the relevant evaluations see Table H.

Table H – Key evaluation studies in the Czech Republic

Title	Period	Focus	Coverage	Method	Note
Ex ante evaluation of NSRR of the Czech Republic	2007–2013	Analysis of the rationale of the overall design of NSRF	all Objectives and priorities	EU methodology for ex-ante evaluation	personal participation
Strategic report on implementation of Structural Funds	2007–2009	Analysis of financial and physical progress achieved, analysis of the relevance of the overall strategy of using SF resources	All operational programmes	Combination of statistical analysis of data available and of qualitative approaches (interviews with key stakeholders)	personal participation

Title	Period	Focus	Coverage	Method	Note
Evaluation of absorption capacity of OP Enterprise and Innovation in relation to particular target groups	2007–2013	Evaluation of absorption potential for support programmes under this OP in relation to the main types of final beneficiaries	OP Enterprise and innovation	Combination of statistical analysis of data available and of qualitative approaches (interviews with key stakeholders)	
Ex post evaluation of OP Industry and innovation	2004–2006	Analysis of financial absorption, of outputs and results, of management and implementation system	All programmes (spheres of interventions) of this OP	Combination of statistical analysis and of qualitative approaches (interviews with key stakeholders)	personal participation
The impact of the Crisis on implementation of OPs	2007–2013	Analysis of risks stemming from global, national and microeconomic level. Proposals for moderation of the Crisis impacts.	All OPs	Combination of macroeconomic analysis and of qualitative approaches (questionnaire for MAs and Intermediate bodies)	
Regional economic data for evaluation of NSRF and for secondary analysis of regional development	2007–2013	Creation of a methodology for quantification of the effectiveness of Structural Funds	All OPs	Desk research	
Completion of the Optimisation of the National Code–List of Indicators	2007–2013	Creation of a handbook of indicators in the National Code–List of Indicators for management, monitoring, and evaluation.	All OPs.	Desk research.	Found that it would not be possible to monitor outputs, results and impacts / effects of programmes in a required quality.

SECTION 5 – CONCLUDING REMARKS – FUTURE CHALLENGES

Possible implications for future support can be summarised as follows:

- the system of monitoring indicators should be revised; the number of indicators should be radically reduced in conjunction with the likely and desirable concentration of future Cohesion Policy support on a few core priorities.
- Ideally, there should be one set of key indicators across the EU to which all OPs should adhere to.

- Related to this, monitoring indicators should be linked so far as possible (or even be identical) with the project selection criteria.
- Estimates of unit costs should be made widely to assess the value for money offered by projects submitted.
- The constant need to adjust various information systems for monitoring and managing EU Cohesion Policy and ensuring their mutual compatibility is a significant problem.
- The excessive attention of MAs to procedural and implementation issues in both day-to-day management and in evaluation activities indicates that a fundamental reform in this area is needed. These problems clearly squeeze out much more important questions connected with the implementation of EU support, which relate to efficiency, effectiveness and strategic focus. One possible solution might be, for example, to reduce the rate of EU co-financing. Lowering EU support would: i) require final beneficiaries to devote more funding which might encourage them to be more efficient, ii) increase the transparency of the provision of EU support as a larger number of applicants could be satisfied with the same amount of EU money, so limiting the scope for corruption, iii) limit the extent to which public intervention distorts the market.
- Alternatively, an indirect form of assistance, such as EU support for soft loans by private banks, could be considered. In this case, the banks concerned would guarantee the sustainability of the project from an economic point of view.

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INTERVIEWS

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TABLES

See Excel file for Tables 1, 2, 3 and 4

Table 1: Regional disparities and trends

Table 2: Macro–economic developments

Table 3: Financial allocation by main policy area

Table 4: Commitments by main policy area