

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

**YEAR 1 – 2011**

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

**CZECH REPUBLIC**

**VERSION: FINAL**

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**A report to the European Commission  
Directorate–General Regional Policy**

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## LIST OF ABBREVIATIONS

- AIRs    Annual Implementation Report(s)
- EC      European Commission
- ERDF   European Regional Development Fund
- ICT     Information Communication Technology
- IOP     Integrated OP
- JEREMIE      Joint European Resources for Micro to Medium Enterprises
- JESSICA Joint European Support for Sustainable Investment in City Areas
- MA      Managing Authority
- NCA     National Coordination Authority
- NSRF   National Strategic Reference Framework
- OP ENVI      Environment OP
- OP R&D&I      Research and Development for Innovations OP
- OP      Operational Programme
- ROP     Regional OP
- TOP     Thematic Operational Programme(s)

## EXECUTIVE SUMMARY

- The two main priorities of regional development policies are transport and environmental infrastructure. The third main priority, characterised by a significantly lower allocation, is business support.
- However, the order of the main priorities varies across the 3 Objectives. Namely, in Convergence regions the largest amount of resources has been allocated to transport, in the Competitiveness and Employment regions the largest allocation goes to business support, while in Cross Border Cooperation (Operational Programme (OP) Czech Rep. – Poland) support to tourism dominates. 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 justified given the enormous needs both in terms of transport and environmental infrastructure inherited from the period of communism.
- A significant variation in the rate of commitments has been observed among OPs. While 15 OPs committed more than 50% of overall allocation by end of June (7 OPs even reached or exceeded the 75% threshold), the Managing Authority (MA) of OP Environment has so far only committed 22.2%. Likewise, the share of certified expenditure varies greatly – from 45% in Regional OP (ROP) South East to a mere 0.3% in case of Research and Development for Innovations OP (OP R&D&I).
- EU support is helping significantly to combat the after-effects of the economic recession by maintaining public investment levels.
- A reasonable progress in implementation of a decisive majority of OPs has been recorded. However, progress in implementation varies widely.
- Nevertheless, the available data does not allow identifying a contribution of the EU support under Cohesion Policy to major long-term challenges of the Czech Republic in the spheres such as competitiveness, climate and demographic change.
- Nevertheless, tangible progress has been achieved in several important spheres such as significant upgrading of environmental infrastructure (esp. the municipal one) or the improvement of the quality of the road and rail networks.
- Moreover, in a number of other spheres of interventions positive effects on local or regional level have been identified.
- Number of reallocations performed in 2010 was limited; therefore, 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.
- Number of spheres of intervention where innovative non-grant support schemes are applied is fairly limited (except for the OP Enterprise and Innovation).

- The simplification of administrative procedures as well as a more flexible design of the system of financial flows introduced as a response to the global crisis resulted in a desirable speeding-up of implementation of most Ops in 2010.
- However, implementation of a number of OPs was disrupted either by various irregularities or due to the political impacts of Parliamentary elections resulting in a dramatic scale of fluctuation even of professional staff (esp. the OP R&D for Innovations). This OP is endangered by N+3 rule requirements.
- Surprisingly, no significant impacts of the crisis on implementation of EU Cohesion Policy support have been recorded (with the obvious exception of OP Enterprise and Innovation).
- Despite significant efforts exerted during 2010, the system of monitoring indicators is still far from perfect as the system still contains a significant number of irrelevant or nearly irrelevant indicators (e.g. number of projects of a certain type).
- The evaluation activities related to the current programming period continue to focus on various procedural issues while evaluation of physical progress is still in its infancy.
- No clear trend in building of evaluation capacity has been observed, high fluctuation of staff and organizational changes represented important obstacles.
- No example of good practice of evaluation of effects or impacts of Cohesion Policy has so far been identified.

## 1. THE SOCIO-ECONOMIC CONTEXT

Despite the dramatic scale of the global economic crisis in most European countries, the Czech Republic ranks among those countries which suffered relatively moderately, mostly due to its industrial tradition and its strong links with the German economy (see Table A). In addition, the Czech population proved generally resistant to a temptation of taking “favourable loans” in foreign currencies which significantly exacerbated social problems in several NMSs of the EU. On the other hand, the crisis revealed fully non-sustainability of the Czech public finance without radical reform on both revenue and expenditure side of public budgets. Therefore, unsurprisingly, the Czech Republic ranks among the countries that exhibited a decline in public capital expenses during the crisis, contributing – on the one hand – to moderation of public debt growth, but, on the other hand, the cuts in capital expenditure had more pro-cyclical than anti-cyclical effects upon the Czech economy. Such cuts led to further decline in aggregate demand but, unfortunately, they also undermined the competitiveness of these states over the medium or long-term (Rubianes, 2010).

In order to keep public deficit at least within some reasonably limits, a set of other measures including a change of more than a dozen laws was adopted. Namely, savings in the 2010 and 2011 state budgets were applied across all budgetary areas (the only exception being expenditure for research and development which will remain on a previous level – but this 0% growth has to be put into the context of previously promised doubling of public expenditure to R&D over the next few years). In addition to saving measures (including for example a 4% cut in salaries of public servants or cuts in various social benefits), a set of measures on a revenue side of the budget has been passed. These measures include an increase of the property tax, an increase of the value added tax, an increase of the consumption taxes on petrol, alcohol and cigarettes, etc. Nevertheless, these measures are not able to correct the fundamental imbalances within the Czech state budget but only to prevent a devastation of public finance due to global economic crisis. Therefore, a more fundamental reform of the Czech public finance has been prepared and the first pillars of this reform (including the reform of the pension system) have been passed by the Parliament recently (in September 2011).

Needless to say, that the official regional policy as pursued by the Czech Ministry for Regional Development has been marginalized as allocation for this policy for year 2010 is only about CZK 300 million (EUR 11 million). If this figure is compared with the amount of money that is annually distributed according to a highly equalizing formula among more than 6 thousand Czech municipalities (CZK 150 billion, resp. EUR 7 billion), it is clear that one cannot expect any discernible impacts of the official regional policy. Moreover, the current right-wing government intends to introduce (since January 2012) a reform of local government financing that would be in favour of smaller municipalities which have been until now assigned a smaller coefficient for redistribution of shared taxes collected by the

state. In addition, a lot of state support programmes should be abolished and the money saved should be added to the amount annually redistributed to local governments.

The impact of global economic crisis on regional development in the Czech Republic in 2010, which was characterised by a peak in unemployment, can be summarized with the following observations.

First, surprisingly, the crisis led to a distinct *decline* in inter-regional disparities. This trend was confirmed at all of the scale levels studied and in accordance with all three utilized measures of variability (coefficient of variation, Gini coefficient, Theil index; in all cases weighted by the number of economically active persons). (For more, see, Blažek, Netrdová, 2012).

The primary cause for decline in inter-regional variability in the unemployment rate was the intensity and nature of the crisis, which rapidly afflicted a large portion of the economy, leading to a convergence “in misery”. A deep crisis, which rapidly expands into all significant sectors of the economy, leads to a general quelling of the economy and, thus, to regionally relatively little-differentiated impacts.

Second, the position of regional capital in a settlement hierarchy proved to be a dominant factor of regional development during the crisis in Czechia. During 2009, this country was subject to dramatic differentiation among its districts which, before the crisis, reported very low unemployment rates, i.e. less than 7% in the Czech Republic (Blažek, 2010a). Analysis has shown that the position of district capital cities in the settlement system, serves as a significant factor in explaining these differences. The most dramatic deterioration of the labour market occurred in districts with relatively small urban centres while the districts with regional capital cities, i.e. metropolitan regions, scored much better.

The diverse impact of the crisis in districts that, before the crisis, reported very low unemployment rates can be largely explained by the differing role of the tertiary sector in large cities. There are many public sector institutions in the regional capitals and in other large district capital cities; such centres also include a significant number of tertiary firms, all of which were only indirectly impacted by the crisis, meaning that the impacts came later.

However, in 2010, even the districts with regional capitals experienced relatively large increases in unemployment (evidently as a consequence of a series of cost-saving measures in the public sector, which were then reflected in weaker multiplication effects on private sector entities, and also thanks to the delayed impacts of the crisis on tertiary sector firms). Therefore, to sum-up, the strong position of the tertiary (including the public) sector in regional capitals and other large cities led to a more gentle crisis impact on the districts in the corresponding regions; nonetheless, the extraordinary intensity of the crisis also affected employment or rather unemployment in these districts, with a roughly one-year delay. (For empirical illustration of these developments, see Annex Figures 1 and 2).

Third, a significant trend of regional development that intensified considerably during the global crisis was a discernible increase of variability on local (municipal) level. This new trend was proved by a sharp decline of Moran I (a basic measure of spatial autocorrelation) which was recorded on the basis of unemployment data during the crisis reflecting a tendency towards a more fragmented regional pattern (for more see, Blažek, Netrdová, forthcoming).

Finally, available data do not support the idea that the recent economic recession affected the lagging or structurally affected regions most. Nevertheless, one can expect that due to concentration of political, financial and corporate power in the capital city and partially also in regional capitals, their metropolitan regions will swiftly regain their leading position. Therefore, the available evidence suggests that when the crisis is over, the traditional regional pattern, where the metropolitan regions, especially of a capital city, dominate the national economy, will resurface.

**Table A – Growth rates of real GDP in US, EU27 and in the Czech Republic (annual percentage change)**

Country / Country Group	2007	2008	2009	2010
World	5.4	2.9	-0.5	5.0
United States	1.9	0.0	-2.6	2.8
European Union	3.2	0.7	-4.1	1.8
Czech Republic	6.1	2.5	-4.1	2.3

Source: International Monetary Fund (IMF), World Economic Outlook Database, April 2011, Czech Statistical Office, 2011.

## **2. THE REGIONAL DEVELOPMENT POLICY PURSUED, THE EU CONTRIBUTION TO THIS AND POLICY ACHIEVEMENTS OVER THE PERIOD**

### **THE REGIONAL DEVELOPMENT POLICY PURSUED**

- In the Czech Republic, the main priorities of regional development policies over the period 2007–2013 are transport infrastructure (in Convergence regions approx. equally support rail and road infrastructure), followed by environmental infrastructure. The third main priority is business support and is characterised by a significantly lower allocation.
- Table B below shows the particular weight of the main priorities in each of the Objectives of the EU Cohesion Policy. In Convergence regions the largest amount of resources has been allocated to transport, in Competitiveness and Employment regions the largest allocation goes to business support, while in Cross Border Cooperation (OP Czech Rep. – Poland) support to tourism dominates.
- Given the dominance of Convergence the Objective in terms of financial allocation over the remaining two Objectives, the main priorities supported within the Objective Convergence are at the same time the main priorities of the country.

- Their selection can be considered as justified given the enormous deficit inherited from the period of communism both in terms of transport and environmental infrastructure. Moreover, in the case of transport, the urgency of these infrastructure investments is underlined by the geographic position of the Czech Republic and consequent huge transit across the Czech territory in both West–East and North–South directions.

**Table B – The main priorities according to the strategic Objectives of the EU Cohesion Policy (in % of total allocation of Czech National Strategic Reference Framework – NSRF).**

Priority	Convergence	Competitiveness and Employment	Cross Border Cooperation
Transport	28.8 (of which 21.8% TOP, 7.0% ROPs)	0.30	0.15
Environment	18.5	0.23	0.10
Business support	11.5	0.32	0.04
Tourism	3.4 (of which 0.3% TOP, 3.1% ROPs)	n.a.	0.22

Source: NSRF of the Czech Republic, Prague, Ministry for Regional Development, 2007.

**Table C – The main priorities of Regional Operational Programmes (in % of allocation for each ROP)**

Priority	Central Bohemia	North West	North East	South West	South East	Central Moravia	Moravia–Silesia
Transport	41.6	34.0	37.0	44.5	49.1	38.8	37.3
Development of Towns	25.9	39.9	27.2	32.5*	23.2	24.8	23.8
Rural Development	11.1	4.3	6.8		5.4	14.6	7.0
Tourism	18.0	18.1	22.0	20.0	19.1	18.6	8.8
Business support			4.0			2.4	
Share of each ROP in total allocation of NSRF (in%)	2.1	2.8	2.5	2.3	2.7	2.5	2.7

Source: Monthly Monitoring Report December 2010, Prague.

Table C above shows that despite some differences between the ROPs their main focus is the same. However, there are differences in the weight assigned to particular priorities, particularly in the case of allocations for “rural development”. The lowest allocation for rural development is in the North–West region which corresponds to the socioeconomic situation in this prominent old industrial area in the Czech Republic. Consequently, it can be stated that the overall strategic focus of all 3 Cohesion Objectives is adequate to the needs of the country and is in line with the EU Cohesion Policy strategic goals.

Despite serious attempts of the former Prime Minister between 2009 and 2010, neither the priorities of regional development policy nor the relative importance attached to them have been significantly modified since the beginning of the programming period. Adequacy of the overall strategy of using Cohesion Policy support has recently been endorsed also by the Strategic Report (2009).



Nevertheless, minor adjustments within the various OPs have been made mainly due to: i) fear that the envisaged target values of monitoring indicators would not be achieved (this is a rather surprising observation given the dubious quality of quantification of these indicators during the programming phase), ii) a shift of demand due to global economic crisis, for example, from building of new industrial premises to reconstruction, iii) a lack of demand for some sub-spheres of interventions due to their improper design. Annex Table A provides an overview of reallocations from January 2010 to August 2011.

Within a context of the current global economic crisis, it should be stressed that the EU support is helping significantly to combat the impacts of the economic recession by stabilising public investment levels as the volume of these funds has not been affected by the global economic cycle. Moreover, co-financing of the EU funded projects is considered an absolute priority by Czech decision-makers at all levels of public administration. Consequently, the EU Cohesion Policy not only provides a stable source for predominately capital investments, but helps also to stabilize national investment funds due to a need to co-finance the European Regional Development Fund (ERDF) and Cohesion Fund projects. Therefore, without the EU Cohesion Policy the drop of national capital expenditure would be even greater.

## **POLICY IMPLEMENTATION**

### **Key findings of 2010 country report**

- The rate of selection of projects and of their contracting was assessed favourably, despite the fact that it was slightly behind the plans of some MAs.
- The pace of financial flows was significantly slow until the end of 2009 (both as regards reimbursement and certified expenditure).
- The only OP which was clearly lagging in implementation was OP Research and Development for Innovations due to difficulties in designing this novel type of OP (at least for the Czech Republic).
- The performance of various Thematic Operational Programmes (TOPs) differed significantly due to great differences in terms of number of applications, in number of approved and processed projects (from hundreds to thousands), due to differences in the nature of individual projects and, obviously, due to subjective factors such as the management and leadership capabilities of key personnel of various implementation bodies.
- A discernible variation in the performance indicators has been recorded also in the case of ROPs which generally follow the same strategy and support the same spheres of interventions. However, the “speed” of absorption was not considered as a good proxy for a quality of implementation as MAs of some “slower” ROPs were carefully examining the effectiveness and efficiency of all submitted projects (for example, the ROP Moravia-Silesia).

Table D provides the basic data on the progress achieved by individual OPs by June 2011.

**Table D: Progress in implementation of ERDF/Cohesion Fund OPs between December 2009 and June 2011 (in % of total allocation).**

	2009	2010	June 2011	2009	2010	June 2011	2009	2010	June 2011
	Commitmebnts			Exp. reimbursed			Certified resources		
CONVERGENCE OBJECTIVE									
OP ENTERPRISE AND INNOVATION	26.4	49.3	65.9	8.2	16.1	22.0	5.3	9.7	11.7
OP RESEARCH AND DEVELOPMENT FOR INNOVATIONS	3.7	27.3	59.1	0.6	3.2	10.1	0.0	0.1	0.3
OP ENVIRONMENT	n.a.	16.3	22.2	4.5	12.7	16.4	1.6	7.4	7.7
OP TRANSPORT	32.6	96.8	100.8	17.3	55.0	61.1	5.9	16.7	17.1
INTEGRATED OP	23.4	53.1	64.0	1.5	9.3	14.0	0.3	5.6	7.9
ROP Central Bohemia	29.4	57.7	71.5	11.5	27.6	33.6	4.2	13.3	24.5
ROP SouthWest	36.4	52.8	74.8	11.8	29.9	33.7	3.4	3.6	3.7
ROP North West	44.8	68.4	79.2	5.6	33.0	39.7	1.6	15.5	25.5
ROP North East	50.9	69.9	88.1	16.9	45.4	50.9	3.6	30.9	40.3
ROP South East	54.3	71.7	82.5	14.8	45.1	52.4	3.3	33.8	44.9
ROP Central Moravia	40.3	47.3	54.7	18.8	42.0	44.5	6.4	32.6	42.2
ROP Moravia Silesia	20.7	44.1	61.1	7.7	23.1	27.9	3.8	17.3	22.7
REGIONAL COMPETITIVENESS AND EMPLOYMENT OBJECTIVE									
OP PRAGUE – COMPETITIVENESS	47.9	82.9	89.4	13.9	36.8	54.1	7.4	14.4	14.3
EUROPEAN TERRITORIAL CO–OPERATION OBJECTIVE.									
OP CZECH REPUBLIC – POLAND 2007 – 2013	70.7	90.5	93.2	2.6	27.0	37.9	0.0	23.8	35.8

Sources: Monthly monitoring Report for December 2009, January 2010, December, 2010, June, 2011, Prague, AIR OP CR-PR, Prague, June 2010, July 2011.

The data in Table D confirms a significant acceleration in implementation during 2010 as well as throughout the first half of year 2011. Consequently, implementation of most OPs was at the end of 2010 in line with implementation plans or even more advanced. There are two main factors behind this desirable move: i) a growing experience of both applicants and of staff of implementation and management bodies, ii) deliberate effort of the Managing Authorities (MAs) to simplify administrative procedures and to introduce changes especially in the payment systems in order to speed up the overall process and payments in particular to lower the financial pressure on final beneficiaries in order to mitigate the impacts of the global economic crisis. These changes were prepared during the year 2009, nevertheless, in many cases have started to be operational only since January 2010. Finally, one should not underestimate the probability that an increased effort to speed-up implementation by MAs is also related to a pressure exerted by the initiative of the former Prime Minister to

reallocate money from under-performing OPs to the best-performing ones launched at the end of year 2009 (see above).

Nevertheless, profound differences continue to exist among particular OPs. Of a special concern is the situation in OP R&D&I where a fundamental move took place only in the first half of 2011 when the first set of large-scale projects of Centres of European Excellence has been approved by the European Commission (EC). Given the complex nature of these projects, a significant progress in implementation of this OP can be expected especially starting from the year 2012. Another OP of a significant concern is ROP South West where progress in implementation has been paralysed by numerous irregularities leading to the suspension of implementation of this OP. Unfortunately; several other OPs (both thematic and regional) are currently facing similar problems. To sum-up, the available data suggests that both applicants and staff of various implementation bodies are capable of managing the whole project cycle but, at the same time, a large number of OPs suffers from a high number of (sometimes even fundamental) irregularities suggesting close links between the various business and political circles and the personnel of implementation system.

## **ACHIEVEMENTS OF THE PROGRAMMES SO FAR<sup>1</sup>**

### **Regional Operational Programmes**

#### **Key findings of 2010 country report**

- In the case of ROPs, only few relevant physical indicators had achieved non-zero values by the end of year 2009. Namely, 300 km of new and (most often) reconstructed roads of II. and III. class (however, the share of reconstructed roads on all roads represents only a small fraction – between 0.45–1.3% of the length of all roads of this type in a particular NUTS II region).
- Tangible progress has also been recorded in case of revitalization of urban/village space, revitalization of brownfields, and reconstruction of buildings.
- It should be stressed, however, that a significant variety of projects has been supported, which cannot be covered by these basic indicators (for example, new equipment has been bought for several health centres and children's playgrounds have been constructed).
- The most common implementation problems encountered by ROPs were the needs for adjustments and for enhanced connectivity of various monitoring systems, improper design of monitoring indicators, cumbersome selection procedure and excessive administrative demands on applicants.
- In response to the global crisis, several ROPs designed new swifter systems of payments limiting the need of project holders to pre-finance the EU co-financing.

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<sup>1</sup> Several of AIRs for the year 2010 have not been accepted by the EC, therefore, some figures given in this country report might change.

- Most AIRs concentrated on the rate of absorption and on contracted values of monitoring indicators. On the basis of contracted values all MAs responsible for examined ROPs were confident that a decisive share of monitoring indicators will be fulfilled or even exceeded by the end of programming period.

Current progress in implementation is captured by values of selected monitoring indicators provided in Table E.

**Table E: Selected monitoring indicators of ROPs**

Indicator	Unit	Starting value	Target value	Value achieved by June 2011
New and reconstructed roads of II. and III. Class	km	0 km	1,398.5 km	875.4 km
Area of revitalized urban and village space	ha	0 ha	400 ha	51.7 ha
Number of reconstructed flats	number	0	20,000	12,244
Number of new ecological vehicles for public transport	number	0	230	95

Source: Monthly Monitoring Report June, 2011, Ministry For Regional Development, July 2011, Prague.

The values of monitoring indicators suggest that in most cases the target values will be reached or even exceeded by the end of programming period. In fact, the values of monitoring indicators committed by the project applicants by July 2011 correspond to or even exceed the target values with the exception of the indicator “length of new roads” (72.5 km target, commitments 38.6, achieved value 18.8 km), “area of regenerated or revitalized territory” (target 502.3 ha, versus 447.6 ha committed and 236.1 ha achieved so far) and, most significantly, “area of revitalised territory” (400 ha target, 81.4 ha commitments, 51.7 achieved).

Therefore, ROPs can be considered as OPs that generally perform well in terms of both financial flows (ROPs – with the above mentioned exception of the ROP South West – exhibit the highest values of certified expenditure) as well as in terms of achieving the target values of monitoring indicators. Nevertheless, as problems of the ROP South West illustrate, the ROPs might be in danger of falling into a trap of interests of various local/regional lobby groups. Therefore, the real danger in the case of ROPs rests in micro-efficiency problems, i.e. in prudence of project selection and in reaching good relation between costs, benefits and durability of the particular approved projects (for example in the case of the reconstruction of roads one might ask for how long the repaired road will provide better service?). Finally, the rationale of supporting some of the “flagship” regional projects might be questioned.

Despite significant amount of money allocated to ROPs (at least according to my knowledge) there is no data available that would prove that these investment projects have been exerting desirable impacts such as contribution to balanced development, boosting tourism, improving links within and between regions, and so on). Even if these data were available,

due to the multitude of factors influencing regional development, it would be really difficult to estimate the particular contribution of any specific type of funding.

Overall, provision of support via direct grants clearly dominates, nevertheless, several ROPs tried to use the method of financial engineering such as Joint European Support for Sustainable Investment in City Areas (JESSICA) at least in some spheres of interventions (for example, the ROP Moravia–Silesia).

### Thematic Operational Programmes (TOPs)

#### OP Transport

##### Key findings of 2010 country report

- The overall strategic focus was considered adequate to the needs of the country as well as in line with the EU transport policy as preference is given to rail and significant amount of resources is allocated to sustainable urban public transport (metro in Prague).
- 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 performed in case of monitoring indicators (changes in definitions, names, target values, etc.). Despite imperfections of the system of monitoring indicators, at least the basic indicators of outputs and results can be considered highly relevant and capture well the strategic aims of this OP.

**Table F – The values of selected monitoring indicators for OP Transport at the end of 2009 and in mid –2011.**

Indicator	Value at December 2009	Value at June 2011	Target value
Reconstructed rail tracks on TEN-T network	9.6 km	137.7 (272.6 commitments)	348 km
New roads on TEN-T network	0 km	0 (132.9 commitments)	120 km
Reconstructed rail tracks outside the TEN-T network	4.7 km	39.2 (66.7 commitments)	105.2 km
New roads of the I. class	3.0 km	58.9 (263.6 commitments)	168.3 km
Number of financially completed projects	41	63	Not applicable

Source: AIR OP Transport 2009 and 2010, Monthly Monitoring Report June, 2011, Ministry for Regional Development, July 2011, Prague.

The data in Table F illustrate significant progress in achieving target values of monitoring indicators. However, it should be stressed that OP Transport has already allocated 100.8% of its total allocation for this programming period so it is unlikely that the values of monitoring indicators will be higher than committed values. From this point of view it seems probable that both indicators related to the reconstruction of rail tracks will not be fulfilled. On the other hand, indicators related to road transport are likely to be exceeded. In contrast to

other OPs where results of supported interventions can barely be supported by hard data, this is not the case of at least the most important projects financed by OP Transport. New segments of motorways or other major roads completed with funding support are clearly intended to alleviating traffic congestion and speed-up transport. The same applies to effects of reconstructed rail tracts. Therefore, it can be concluded, that despite a mismatch between the target and committed values in case of some monitoring indicators, this OP is contributing towards its strategic goal.

Unfortunately, common limitation that applies also to this OP is the fact that no systematic attention is being paid to unit costs. Even though these might vary significantly due to nature of the particular projects due to many specific circumstances, the unit costs should provide at least a basic benchmark and if the project proposal deviates significantly from the usual value this should be properly justified. This might be one of vehicles for improving the effectiveness and efficiency of the EU Cohesion Policy.

## **OP Environment**

### **Key findings of 2010 country report**

- The OP Environment was considered a programme where the largest physical outputs and results were recorded by the end of 2009 as in the case of several indicators more than 50% of the target values for the whole programming period were achieved.
- The OP Environment has taken seriously the regional dimension of support into account (to this end regional work groups have been established and projects to be implemented in assisted regions are receiving a bonus during the project selection process). Likewise, projects which are part of the Integrated Plans for Development of Towns, the OP Environment assigns bonuses in the value of 10% of points achieved.

**Table G – The values of selected monitoring indicators for OP Environment at the end of 2009 and at the end of 2010**

Indicator	Value at December 2009	Value at June 2011	Target value
Decrease of weight of CHSK(cr) pollution (in tons/year)	305.8 t	605.7 t	5,000.0 t
Length of new or reconstructed sewerage systems	66.2 km	653.8 km (committed value 982.1)	120 km
Number of inhabitants newly connected to the sewerage system		34,531	740 ths.
Number of inhabitants newly connected to the waterline system		1,209	50 ths.
Decrease of energy consumption	134,068.8 Gj/year	154,961.3 Gj/year	1,100,000.0 Gj/year
Increase of capacity from renewable sources of energy	0.94 MW	3,81 MW	200.0 MW
Area of liquidated old ecological burdens	101,595 sq.m.	584,452 sq.m.	1,000,000 sq.m.
Area of revitalized areas	739 ha	14,229.6 ha	1,000.0 ha
Number of financially completed projects	297	1,554	Not applicable

Source: AIR OP Environment 2009, 2010.

On the basis of data available it should be stressed that nearly in all monitoring indicators wide discrepancies (in both directions) between achieved and target values have been recorded. This is most likely attributable to three factors: i) dubious quality of quantification during the programming phase, ii) consolidation and redefinition of the system of monitoring indicators performed in 2010 (see below), iii) changes in policy context external to the OP, esp. the changes in the national support system to producers of energy from renewable sources. One of the most important indicators for which the target value has already been exceeded significantly is the length of sewerage systems.

During 2010, on the initiative of MA of this OP as well as the National Coordination Authority (NCA), a significant effort was focused on upgrading the system of monitoring indicators to guarantee its consistency and compatibility with indicators of other OPs. Nevertheless, this complicated issue has not been fully resolved until now (July 2011).

Despite efforts by MA OP ENVI to introduce methods of financial engineering, until the end of 2010 no such scheme was launched due to legislative reasons.

At the end of 2010, a reallocation of CZK 2.5 billion (approx. EUR 100 million) from sphere of intervention 3.1 (Construction of new installation for renewables) to 3.2 (Energy savings) was approved reflecting a dramatic increase in the production of renewables induced by buoyant national support.

## **OP Enterprise and Innovation**

### **Key findings of 2010 country report**

- This OP supports a large variety of business related activities; however, 3 priorities represent nearly 80% of the total (priority 2 – development of firms, priority 4 – innovations, and priority 5 – environment for business and innovations).
- The overall progress at the end of 2009 varied significantly among the priorities and overall was only moderate.
- The OP Enterprise and Innovation widely applied (and continue to apply) various forms of support (direct grants, loans, guarantees, etc.).
- The strategy, as well as the forms of support, was considered as being mostly in line with the modern European approaches.

During 2010, the following changes can be considered the most important. First, several measures were implemented in order to speed up implementation (for example: setting of obligatory time-schedule for opening the calls, introduction of electronic exchange of documents, creation of integrated database of external evaluators).

In July 2010 the EC accepted the request of MA to revise the OP. The revision was mostly induced by changes in socioeconomic conditions. The most important approved change is the reallocation of financial allocations among the priority axes (allocation for (sub)programmes Innovation, Eco-energy and Development were strengthened), application of financial instruments of the initiative Joint European Resources for Micro to Medium Enterprises (JEREMIE) and the decision not to apply the PPP type of projects in this OP owing to several factors such as the lack of absorption capacity. Due to approved reallocation of financial resources the target values of monitoring indicators were revised as well.

Unfortunately, the AIR considers the number of applications an indicator of success of the particular (sub) programmes instead of indicators of effectiveness and efficiency.

Nevertheless, the data in Table H suggest that significant progress has been achieved in several key monitoring indicators as well as significant acceleration of implementation in comparison with 2009.



**Table H – Values of selected monitoring indicators for OP Enterprise and Innovation at the end of 2009 and 2010**

Indicator	Value December 2009	Value December 2010	Target value
Number of new jobs created	4,684	6,955	40,000
– of which number of jobs created in the sphere of R&D	305	389	2,500
– of which in assisted regions	924	1,491	n.a.
Number of firms created	349	515	1,850
Share of innovated products on turnover of supported firms (%)	23.5	19.3	25
Number of new CTT and of Science and Technology Parks	5	23	40
Number of new business incubators	5	16	40
New capacities of renewable sources of energy	4.5 MW	n.a.	n.a.
Reconstructed production premises	185.5 ths sq.m.	287.0	800.0

Source: AIR OP Enterprise and Innovation 2009, 2010.

In one of the most important (sub)programme – programme Innovation – 443 product, process, organization and marketing innovations have been implemented so far and 95 patent applications have been filled. In both cases this represents more than a 100% increase in comparison with 2009. Such an increase is attributable to the fact that projects of the first two calls are entering a final phase of their implementation or have been finished completely. Nevertheless, the target value is 2,800 innovations and 450 patents which means that there is still a long way to go.

The OP Enterprise and Innovation continues to pay the most systematic attention to the regional dimension of support. The regional dimension (allocation) is being analysed for all priorities and (sub)programmes and some (sub)programmes were targeted exclusively on assisted regions (programme Development).

### **Integrated OP**

The 2009 country report did not cover this OP due to its relatively minor share of total ERDF allocation (6.0%).

The Integrated OP (IOP) covers a relatively broad range of interventions which is also reflected by the fact that five ministries are cooperating in the management of this OP. The most important priorities according to financial allocations are focused on modernisation of public administration and upon introduction of Information Communication Technology (ICT) in territorial public administration, improvement of quality and accessibility of public services (health care, social services) but also upon security issues and risk prevention, tourism, and revitalisation of housing estates endangered by social deprivation. This OP also follows a variation in the pace of implementation as well as in the outputs achieved among particular spheres of interventions. In addition, the projects frequently tend to be rather

small as illustrated by the fact that until the end of June 2011, 5,311 projects had been financially completed. Nevertheless, despite an acceleration of implementation during the first half of 2011, this is one of those OPs with a rather sluggish pace of implementation.

According to AIR 2010, there are three main reasons for this. First, insufficient administration capacity and/or fluctuation of staff, especially in those Intermediary Bodies that were newly involved in the implementation of the EU Cohesion Policy. Second, frequent changes in approved projects (esp. in spheres of interventions focused on modernisation of public administration, on tourism and cultural heritage). The third reason for delays in implementation relates to controls during which repayment of financial resources were postponed. By December 2010, an extreme situation was reported in the sphere of intervention 3.1 “services for social inclusion” (focused predominately on building social economy) where only 1.1% of allocation was covered by approved projects. This is mostly due to the low quality of submitted projects which had to be rejected on the basis of the evaluation by external experts (54% of the submitted projects were rejected). Nevertheless, according to available analyses, the IOP should safely fulfil the requirements of the “N+3” rule.

In response to these problems MA implemented several measures such as the continuation of training programmes for staff of Intermediary Bodies, the analysis of absorption capacity and of other barriers in particular spheres of interventions were performed, a representative of a NCA participates in the meetings of MA with staff of Intermediary Bodies, conditions in calls with insufficient demand were simplified, extranet of IOP accessible to all members of staff of Intermediary Bodies was elaborated, etc.

In addition, in autumn 2010, the NCA introduced a system of strengthened risk management in case of underperforming OPs including IOP consisting in regular monthly meetings between NCA and MA of IOP. These meetings are focused on trouble-shooting during the implementation of the programme.

In 2010, no financial reallocations concerning the IOP were implemented.

The decisive share of financial resources is concentrated in the following 3 priorities: Modernisation of public administration (21.1%), Improvement of quality and accessibility of public services (34.4%) and National support to territorial development 26.6%).

The implementation of the public administration “Modernisation priority” is negatively affected by the limited experience of beneficiaries from the public administration and by electoral cycle leading to a significant turnover of staff in top positions in public administration which resulted in the reassessment of submitted projects.

Implementation of the priority “Improvement of the quality and of accessibility of public services” varies widely according to spheres of intervention. The worst performing one has been already mentioned above (i.e. the Services for social inclusion) where only 2.5% of allocation was covered by projects with a decision in June 2011, while the best performing

sphere (at least according to financial absorption) is sphere 3.2 Support to health care (76.9% of allocation had been committed by the same date).

The implementation of National Support to Territorial Development which is predominantly focused on the reconstruction of historical monuments is complicated especially by a lengthy procedure given by the Building Code and by a frequent need to perform an archaeological research during the reconstructions but also by obstacles of an administrative nature.

**Table I – Values of selected monitoring indicators for Integrated OP at the end of 2010**

Indicator	Value December 2009	Value December 2010	Target value
Number of contact points for public administration (CzechPoint)	4,470	6,557	6,244
Number of modernised or new Front offices connected to Integrated Emergency System.	76	242	369
Area of municipalities with a new master plan (in sq.km.)	2,289.4	3,344.0	140.0
Number of regenerated flats	n.a.	10,126	20,000
Area of revitalized territory (sq.m.)	n.a.	381,848.4	4,000,000

Source: AIR of Integrated OP 2010.

Overall, fragmentation of support within IOP into various spheres of interventions results in an even higher number of output indicators. Frequently, these indicators are designed improperly just as a number of projects of a certain specific type. Moreover, in a large number of monitoring indicators only zero values have been recorded so far. Therefore, indicators where at least some positive values had been achieved by December 2010 were selected in Table I. Therefore, the values of these indicators *do not* correctly reflect the pace of implementation of this OP.

### **OP R&D for Innovation**

#### **Key findings of 2010 country report**

In the 2009 Report it was concluded that only 4 projects had been approved by the end of 2009. Consequently, not a single project had been completed by that date. Likewise, also the values of all output and result indicators equalled zero.

**Currently**, this OP is clearly the worst-performing of all Czech OPs as the share of certified expenditure was only 0.3% by the end of June 2011. Consequently, this OP is the only Czech OP financed from ERDF fund that is endangered by de-commitment resulting from application of “N+3” rule in the coming years.

**Table L – Values of selected monitoring indicators for OP Research and Development for Innovations (in June 2011)**

Indicator	Achieved value	Commitments from approved projects	Target value
Reconstructed and new capacities for R&D&I (sq. m.)	247	314,786	190,000
Number of newly created R&D jobs	389	3,430	2,500
Number of start-up grants	0	39	25
Number of projects of cooperation of firms with centres of excellence	37	506	130
Number of clients using services for commercialization of R&D	0	0	500

Source: Monthly Monitoring Report June, 2011, Ministry for Regional Development, July 2011, Prague.

The sluggish pace of implementation is attributable mainly to the following factors. Firstly, the novel type of OP for the Czech Republic gave rise to delays in preparation, negotiations and approval of this OP. Secondly, the staff responsible for the preparation and launching of this OP designed a system of project selection and later of project management that would guarantee the achievement of the expected output, results and impacts. Thirdly, after parliamentary elections in 2010, the implementation of this OP was disrupted by a political earthquake resulting in a massive turnover even of professional staff responsible for the management of this OP. The scale of problems is well illustrated by the AIR 2010 where it is for example admitted that implementation of priority 3 has not started yet, that the implementation system was completed only at the end of 2010 and the monitoring system still needs to be completed. Various measures for getting implementation of this OP back onto a track were being only envisaged by the AIR 2010.

Therefore, not surprisingly, the first set of large projects financed under priority European Centres of Excellence was approved only in the first half of 2011 but this does not mean that implementation of this key priority of this OP will be straightforward in the future. On the contrary, given the limited experience with management of such type of projects among the academic staff, the responsible Ministry is searching for “super-managers” with excellent business and management record. Given the traditional anxiety between the academia and business sphere in the Czech Republic, it is easy to imagine the tensions that might emerge from such a coupling. Even if these “super-managers” are found and engaged it is dubious whether they will be able to guarantee that planned costs and output and especially result indicators are really met.

In 2010, significant progress was achieved in implementation of Priority Regional Centres of Excellence and of Priority 4 (Research Infrastructure for Universities). For example, in Priority Regional Centres of Excellence 24 new decisions were issued in 2010 (in comparison to 6 decisions, issued until the end of 2009). In contrast, no decision was issued during 2010 in priority 3 (commercialization and popularization of R&D).

As in the case of other OPs, also in this case the relevance of a number of monitoring indicators might be questioned. Therefore, some of them were selected to illustrate the current state-of-the-art in implementation of this OP. Despite the fact that indicators provide only sketchy information about the OP, the data illustrate clearly i) belated pace of implementation, ii) dubious quality of quantification, iii) improper design of some of these indicators.

Finally, AIR 2010 openly admits that due to the current state of implementation, when the majority of projects is in an early phase of their realisation or is even waiting for a decision by the relevant Czech or EU authorities, one cannot identify any specific and real contributions of this OP to achieving the targets of NSRF or the Lisbon goals (p. 31).

No reallocations were approved in this OP during 2010.

### Objective Competitiveness

#### Key findings of 2010 Report

The main conclusion of the 2010 Report concerning the only OP relevant for this Objective, i.e. OP Prague – Competitiveness was that at the end of 2009 the achieved physical outputs were (with few minor exceptions) limited in relation to target values.

**Currently**, this OP qualifies as one with a relative swift pace of implementation despite the fact that 3 relatively distinctive spheres are being supported by this programme (transport and ICT, environment and innovations). By June 2011, 102 projects had been completed from the financial point of view which resulted also in some (though varied) progress in fulfilling monitoring indicators (see Table M). In June 2011, more than 80% of total allocation had been committed in all 4 priorities. During 2010, a significant excess of demand was recorded in all calls.

**Table M – Values of selected monitoring indicators for OP Prague – Competitiveness**

Indicator	Achieved value 2009	Achieved value 2010	Target value
Reconstructed and new capacities for R&D&I (sq. m.)	1,038	2,784.8	9,500
Number of newly created R&D jobs	0	1	110
The length of reconstructed or new tramway lines (km)	2.2	9.2	2.0
The length of new cyclopaths	1.1	4.3	2.5

Source: AIR Prague Competitiveness 2010, Prague.

Monitoring indicators shown in Table M show wide variation in achieved values. In addition, some other relevant indicators are unlikely to be fulfilled. These are: “number of projects aimed at cooperation between firms and academia” and “area of eliminated old ecological burdens”. In case of the latter, this is mostly attributable to complicated ownership structure of brownfields (i.e. fragmented or even duplicated ownership, owner in insolvency or in liquidation etc.). In addition, a study certifying the scale and nature of the environmental load is required. Until now, no such study has been elaborated. In projects of cooperation

between academia and businesses, the main hindrances are: i) predominating pure R&D focus of key research institutions in Prague (universities and Academy of Sciences), ii) consequent preference of these institutions to enhance contacts to key European or even to global knowledge centres instead of developing “local buzz”, iii) missing partners from private sector that would be able to commercialize R&D results.

Also in this OP the relevance of some monitoring indicators might be questioned. Nevertheless, according to commitments in approved projects, the decisive majority of indicators are likely to be achieved.

According to available knowledge this OP has not been disrupted by any major hindrances or irregularities. No reallocation within this OP was recorded during 2010.

### **Objective Territorial Cooperation**

#### **Key findings of 2010 Report**

- The Czech authorities act as MA only in relation to the OP Czech Republic–Poland. In this OP, not a single project had been completed until end of 2009 which contrasted sharply with the high level of commitments to the same date (more than 70% of total allocation).
- Therefore, the values of monitoring indicators, often equal to zero, corresponded to this state of implementation. However, certain outputs and results have been recorded at least in some indicators.

**Currently**, this OP can be considered well advanced in its financial progress. 40 projects had been completed by the end of December 2010, therefore, progress in achieving monitoring indicators was reported in AIR. Nevertheless, it should be stressed that as a rule, the indicator of output is a mere number of supported projects of a certain type. Obviously, relevance of such indicators is dubious. What makes assessment of physical progress even more complicated is the fact that indicators of results (which are, moreover, frequently only slightly more relevant than indicators of outputs) relate to approved and not to completed projects. Therefore, under these conditions, physical progress can not be currently evaluated. Consequently, no examples of monitoring indicators are provided.

Nevertheless, according to available knowledge, implementation of this OP has not been disrupted by any major problems or irregularities. During 2010 significant reallocation of resources was performed from spheres with insufficient demand to spheres which might – according to AIR – directly enhance socioeconomic development and esp. employment. In particular, the reallocation represented a shift from softer projects in the sphere of business (such as workshops, seminars etc.) and education to building the needed transport infrastructure, namely to upgrading 2 roads leading to border crossings which received favourable assessment during the selection process but could not be financed due to the lack of money in this sphere of interventions. Therefore, the reallocation can be considered as justified properly.

**Table N – Reallocation of financial resources within OP Czech Republic – Poland**

Priority/	Original allocation (in EUR million)	New allocation (in EUR million)
Sphere of intervention		
1.1 Improvement of accessibility	41.7	51.1
1.3 Risk prevention	11.0	13.0
2.1 Enhancement of business environment	11.0	5.6
2.3 Support to cooperation in education	8.8	4.8
3.1 Cooperation of territorial institutions	6.6	3.6
3.2 Support to cultural, sport and leisure time activities	6.6	7.6

Note: Only spheres of interventions with reallocation are provided in this table. Source: AIR OP Czech Republic – Poland 2009 and 2010.

Tables of main physical indicators and achievements

**Table O – Main physical indicators and achievements under Convergence Objective by December 2010**

Policy area	Main indicators	Outcomes and results (physical outcomes plus brief note on what has been achieved)
Enterprise support and RTDI	<ul style="list-style-type: none"> <li>– Reconstructed and new capacities for R&amp;D&amp;I (sq.m)</li> <li>– Number of new firms</li> </ul>	247 sq.m.* (negligible effect) 515 (local effects)
Human Resources (ERDF only)	<ul style="list-style-type: none"> <li>– Number of newly created R&amp;D jobs</li> <li>– Number of newly created jobs (total)</li> </ul>	389* (potential local effects) 6,955 (significant local effects)
Transport and telecom.	The length of reconstructed, resp. new roads (km)  <ul style="list-style-type: none"> <li>– Reconstructed rail tracks on TEN-T network</li> </ul>	875.4 km (+ 58.7 km of the 1. class roads) (significant local or regional effects) 137.7 km (significant regional effects)
Environment and energy	<ul style="list-style-type: none"> <li>– Number of inhabitants newly connected to the sewerage system</li> <li>– Number of inhabitants newly connected to the waterline system</li> <li>– Area of revitalized areas</li> </ul>	34,531 (significant local and even regional effects) 1,209  14,229.6 hectares (significant local effects)
Territorial development	<ul style="list-style-type: none"> <li>– Area of revitalized urban and village space</li> <li>– Number of reconstructed flats</li> </ul>	89.9 hectares (significant local effects) 23,370 (significant local effects)

Note: \*data relates to June 2011, instead of December 2010.

**Table P: Main physical indicators and achievements under Competitiveness Objective by December 2010.**

Policy area	Main indicators	Outcomes and results (physical outcomes plus brief note on what has been achieved)
Enterprise support and RTDI	Reconstructed and new capacities for R&D&I (sq.m.)	2,784.8 (several laboratories in various academic institutions have been modernized, with likely significant effect for the respective teams within the recipient institutions)
Human Resources (ERDF only)	Number of newly created R&D jobs	1 job created, 70 commitment, target value 110, (negligible effect so far)
Transport and telecommunications	The length of reconstructed, resp. new tramway lines (km)	9.2 (out of 150.2 km of total length; significant local effects, in some cases positive effects upon larger territory such as upon several city neighbourhoods)
Environment and energy	<ul style="list-style-type: none"> <li>– Energy savings – number of projects</li> <li>– Renewables – new installations (MW)</li> </ul>	10 (negligible effect)  0.24 (negligible effect)
Territorial development	<ul style="list-style-type: none"> <li>– Area of revitalized territory</li> <li>– Reconstructions of historical monuments</li> </ul>	528.8 hectares (important local effects) 4 (negligible effect)

On the basis of data shown in Tables O and P, it can be summarized that physical progress has been achieved in most of relevant spheres, however, the scale of progress recorded so far is not such as to have an impact on the overall socioeconomic development of the Czech Republic. Nevertheless, in a majority of indicators significant effects on local or regional level have been identified.

### 3. EFFECTS OF INTERVENTION

#### Key findings of 2010 country report

In case of ROPs, the 2010 country report concluded that despite some variations in physical output among the ROPs, at the end of 2009 the physical outputs of these OPs were limited and therefore, no significant effects (impacts) on achieving strategic goals could be identified.

Even in the best performing thematic OP and their Priorities, the impacts could not be proved so far, either due to belated publication of the values of relevant impact indicators or due to the complexities in causality of changes induced by completed projects. Likewise, in case of other OPs, the scale of results achieved by the end of 2009 did not provide any evidence of their impact.

In case of Objective Competitiveness it was stated that at the end of 2009 the physical outputs of OP Prague– Competitiveness were (with few less important exceptions) limited and therefore, no effects (impacts) on achieving strategic goals could be identified so far.



Given the results achieved by the end of 2009 in the only OP relevant to Objective of Territorial Cooperation (OP Czech–Polish Cooperation), it was concluded that no measurable physical implementation effects could be recorded. However, the number of approved projects suggested that the programme contributed to the second strategic goal of this OP (i.e. support to friendly cooperation). This is even underlined by the fact that a huge majority of projects approved before the end of 2009 satisfied all 4 criteria as defined in art. 19 of the regulation (110 projects out of 111 approved).

#### Effects of interventions by the end of 2010

As in the 2010 country report, it can be concluded that the evidence that the EU support under Cohesion Policy is helping Czech regions to respond to major long-term challenges in the spheres of competitiveness, climate and demographic change as well as energy security is so far limited or, more precisely, the available data does not allow identifying such a contribution. This is due to: i) the limited number of projects completed so far, ii) the fact that the support from EU Cohesion Policy is spread among large number of priorities and spheres of interventions while synergy among various projects is achieved only exceptionally, iii) multi-conditionality of regional development.

Nevertheless, tangible progress has been achieved in several important spheres such as significant upgrading of environmental infrastructure (esp. the municipal infrastructure) or improved quality of the road and rail networks (see Tables O and P). Nevertheless, while these interventions do contribute to improving the quality of life of the population in the regions concerned, such interventions do not directly help to enhance the capacities of regions to sustain economic development, but rather help to enhance the preconditions for future development.

In addition, even more clearly than in 2009, support from ERDF and Cohesion Fund significantly helped also during the 2010 to combat the after-effects of the economic recession by maintaining public investment levels and it seems likely that this will be the case also in the future given the need to stabilize the system of public finance under conditions of slow growth and therefore of stagnating or even declining tax revenues leading to sizeable cuts in operational but especially in capital expenditures within the public budgets.

#### 4. EVALUATIONS AND GOOD PRACTICE IN EVALUATION

No examples of evaluations which exemplify good practice can be identified in the Czech Republic.

There are two main types of evaluation studies. Firstly, there are evaluation studies initiated by the NCA, secondly, and much more frequently, there are studies commissioned by the individual Managing Authority. Unfortunately, a decisive majority of evaluations is still related to procedural and implementation issues, instead of evaluating the outcomes and effects of the interventions co-financed by the ERDF and Cohesion Fund.

This situation is attributable to two main factors. First, there is still a relatively limited administrative and managerial capacity of Czech implementation system induced also by a high rate of fluctuation of the relevant staff. Second, a main factor is the overall complexity of Cohesion Policy support. In addition, some interviews suggest that preoccupation of implementation staff with procedural issues in contrast to down-playing of the strategic issues also reflects the approach of various control bodies (including the EC authorities) which on the one hand require a detailed specification of procedures according to which any specific case has been being handled, while on the other hand, the issue of strategic relevance of the project itself is often not questioned at all. Consequently, the evaluation capacity within the implementation system not only varies among the MAs of particular OPs but differs significantly in time as well, due to high fluctuation of staff and due to organizational changes induced by political influence.

The Working Group for Evaluation established by the NCA has played a positive role in building evaluation capacity among various bodies of the implementation system by sharing knowledge and coordinating the evaluation activities.

An important component of the evaluation capacity within the Czech Republic can be found in the private sector, i.e. among various consultancy firms. Over the last years, a few consultancy firms have developed the ability to provide high-quality evaluations (though – due to demand – of procedural issues “only”) but there is a large pool of consultancy firms whose studies provide really limited added value. Given the context characterised by a large number of OPs and uncoordinated process of evaluation activities among various MAs (including National Coordination Authority), often firms with a proven evaluation record are not available at the moment. Paradoxically, the pressure to achieve greater transparency in public tendering results in an excessive weight that is added to the price during the tendering process. On the other hand, there is limited room for the assessment of the quality and experience of competing firms within the tendering process.

Another significant shortcoming of evaluation culture within the Czech Republic is the fact that evaluation studies are considered mostly as an internal document of a given MA (or National Coordination Authority) and, therefore, are not made available to the general public.

One of the major topics which in both groups of evaluation activities are evaluation studies on monitoring indicators, which is one of the spheres where significant inconsistencies and other problems persist despite a significant effort exerted by various bodies, especially by the evaluation unit of the NCA. Nevertheless, since mid-2010 a certain level of consolidation of the system of monitoring indicators has been achieved and this allows to aggregate relatively high number of indicators. Moreover, the database of monitoring indicators has recently been linked to GIS environment which allows detailed regional analyses of various types. These analyses (for example, the regional distribution of a number of projects or the regional breakdown of financial allocation to tourism, transport etc.) are readily available and are used within various thematic evaluations as well as for publicity.

Despite this progress, 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 nearly irrelevant indicators (like mere number of projects). The second problem is a huge number of monitoring indicators which is related to fragmentation of Cohesion Policy into a large number of spheres of interventions which are in some cases highly specific and therefore require specific indicators whose aggregation is impossible.

Another sizeable group of evaluation activities is focused on the issue of excessive or insufficient demand in particular spheres of interventions. The third important group of evaluations concerns the implementation procedure itself, i.e. analysis of administrative burden, analysis of hindrance and of time needed for particular phases of implementation process, a study of the relevance of selection criteria, analysis of communication plan, analysis of irregularities etc. Newly emerging type of evaluation studies are projects aimed at preparation for the new programming period often aimed at identifying new strategic priorities for the future support.

Perhaps the major positive aspects of this state of affairs is the fact that due to the nature of the evaluations performed so far, their key results and recommendations are often implemented in practice by decision-making bodies. Alternatively, these evaluation studies are used to provide arguments for eventual reallocations.

From the above follows that the major gap in evaluation activities is a missing evaluation of results and of the impacts of Cohesion Policy with respect to its strategic goals. This can be partly justified by the fact that the main effort of all responsible bodies has so far been on putting the whole implementation system into motion and by the fact that so far only a limited number of projects has been completed and therefore, the values of physical indicators are still low and – even more importantly – non-representative as mostly small and “simpler” projects have been completed.

Unfortunately, until now, practically no attention has been paid to unit cost, i.e. to efficiency of support. Generally, it can be said that despite the existence of the NSRF evaluation plan, the evaluation activities performed are mostly of a reactive instead of strategic nature (i.e. the evaluations are being focused upon those spheres that are considered as currently

pressing and not upon issues of strategic relevance such as whether the strategic objective of the programme is being fulfilled). The same applies to a majority of OPs – where in spite of the rule that the evaluation plan for the next year has to be approved by the Monitoring Committee in the autumn of a given year – the evaluation plan seldom induces any serious discussion.

To sum-up, on the whole the evaluation strategy (plan) is being followed, but the plans do not envisage any evaluation of a strategic nature. The situation partially improved only during 2011, but it is too soon to evaluate the effect of this – still rather potential – shift.

The fact that during 2011 an extensive ex-post evaluation of CSF 2004–2006 has been launched should be assessed positively. Nevertheless, this evaluation has not been completed yet.

As indicated above, evaluation of effects and impacts of interventions of the EU Cohesion Policy is in its infancy in the Czech Republic, therefore, at least those studies that are (as a minimum) partially related to these topics have been mentioned.

**Table Q – Evaluations and studies assessing Cohesion Policy performance during the programming period performed in 2010 and 1<sup>st</sup> half of 2011.**

Title and date of completion	Policy area and scope	Main objectives	Main findings	Full reference or link to publication
Analysis of priorities for the next programming period <sup>2</sup> , November, 2010.	Analysis of potential thematic priorities within the sphere of business support	Preparation for the next programming period	Proposal of a new support framework for the future programming period. 4. priorities are envisaged: i) upgrading and internalization, ii) effective commercialization of innovations, iii) development of R&D based activities, iv) energetics. Shift from direct to indirect forms of support, provision of services instead of grants.	Analýza věcných priorit a potřeb jednotlivých oblastí v působnosti MPO pro zaměření podpory ze strukturálních fondů EU v příštím programovacím období (2014+) s ohledem na vývoj diskusí o budoucí podobě kohezní politiky EU po r. 2013, Berman Group for Ministry of Industry and Trade. <i>Internal document of MIT.</i>
Analysis of substantive progress of operational programmes during the programming period 2007–2013, September–January 2011	All spheres supported by Cohesion Policy	To inform the Government about physical and financial progress in implementation of the EU Cohesion Policy	Annual regional break-down of committed expenditures from the EU Cohesion Policy (2007–2010). However, no interpretation of the maps is provided.	Vývoj realizace NSRR 2007–2010 Ministry for Regional Development, January 2011 ( <a href="http://www.strukturalni-fondy.cz/Narodni-organ-pro-koordinaci/Koordinacni-akty---">http://www.strukturalni-fondy.cz/Narodni-organ-pro-koordinaci/Koordinacni-akty---</a> )

## 5. CONCLUDING REMARKS – FUTURE CHALLENGES

The following conclusions from 2010 country report remain relevant:

- The system of monitoring indicators should be revised; the number of monitoring indicators should be reduced and irrelevant indicators should be eliminated.
- 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 (or even be identical) as much as possible with the project selection criteria.
- The method of unit costs should be applied widely to assess the value for money offered by submitted projects.

<sup>2</sup> The author of this country report participated in this evaluation study, however, every effort has been made that his opinions has not been compromised.

- Significant problem represents a constant need to adjust various information systems for monitoring and managing the EU Cohesion Policy and ensuring their mutual compatibility.
- 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 sphere is needed. These problems of administrative nature clearly squeeze out much more important questions connected with the implementation of EU support which is efficiency, effectiveness and even the strategic focus. One possible solution might be for example decreasing the rate of EU co-financing. Lowering the EU support would: i) require greater involvement of the resources of final beneficiaries which might stimulate efficiency of projects, ii) would enhance the transparency of the provision of EU support as demand of a higher number of applicants could be satisfied with the same amount of EU money, limiting the space for corruption, iii) limit the distortion of the market by provision of public support.
- Alternatively, indirect form of assistance like EU support to provision of soft loans by private banks could be considered. In that case, the banks would guarantee the sustainability of the project from the economic point of view.

In addition to these, the following persisting challenges should be addressed:

- Effort to limit the space for corruption should be significantly enhanced (for example, a maximal openness of the whole procedure should be considered including the option that all contracts and final reports related to each project including the detailed budget should be made public).
- Influence of political cycle upon distribution of resources from Cohesion Policy should be limited (i.e. prevention of an excessive rate of commitments shortly before regional elections that occurred in some ROPs). One option might be a regulatory requirement that the rate of commitments should be strictly proportional to time (except properly justified cases such as fighting the impacts of the global economic crisis).
- Legal provision preventing disruption of implementation of OPs by a massive fluctuation of staff induced by political influences should be adopted.
- In the next programming period, programming documents should be of a really strategic nature instead of provision details about many various aspects.
- Likewise, support should be dominantly focused on provision of missing or inadequate public goods and direct support to private firms should be avoided (even the direct support to SMEs distorts the competition in a given locality). Instead, business environment might be promoted via supportive schemes inducing cooperation, innovation, etc.
- In the next programming period, in addition to the envisaged thematic concentration, a sizeable part of Cohesion Policy resources could be used for a limited number of major projects such as high speed-railways on key TEN-T

corridors (in case of the Czech Republic e.g. Berlin–Prague–Brno–Vienna) instead of spreading Cohesion Policy sources among huge number of tiny projects with dubious results and impacts and which, moreover, have high administrative costs for both beneficiaries and implementation staff. In other words, concentration of the future Cohesion Policy support to thematic priorities might be accompanied by a “concentration within thematic priorities” upon projects of real strategic significance.

- Paradoxically, in case of evaluation studies, the pressure to achieve a more transparency in public tendering for various evaluation services lead to an excessive weight that is during the tendering process put upon the offered price. On the other hand, the space for assessment of the quality and experience of competing firms within the tendering process is limited. Thus, the current system favours low cost instead of the quality of the evaluation bid.
- Likewise, the current system when the evaluation studies are being commissioned by the same authority that is responsible for implementation of the OP in question is running a risk that a significant pressure will be exerted upon evaluation team by the MA eager to obtain a more positive evaluation report. This too close relationship between MAs that is being evaluated and the evaluation team might be restrained for example by a rule that all evaluation studies should be commissioned by a central body, e.g. National Coordination Authority in cooperation with the respective MAs to guarantee the “ownership” of the particular evaluation study.
- Finally, a bigger effort should be exerted to fight with the negative image of SFs interventions among wide public resulting from several corruption scandals which contrasts with the fact that number of highly desirable and effective projects have been successfully implemented.

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## INTERVIEWS

The author would like to thank the following people for their insights; however, opinions in this Report remain the sole responsibility of the author:

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RNDr. Jiří Horáček – director of MA for OP Czech Republic– Poland, Ministry for Regional Development

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Ing. Vilem Čekajle, Cassia Development, Manager, České Budějovice.

Mgr. Pavel Csank (Berman Group) private consultant in the sphere of regional development and innovation support, Prague

Ing. Marta Sargánková – Director of the Regional Office (MA ROP South–Moravia), Brno.

Ing. Vít Šumpela, director of Dept. of Management and Coordination of NSRF, Ministry for Regional Development, Prague

Mgr. Libuše Chládková, manager of South–Moravia Mobility Programme, Brno.

## TABLES

See Excel file for Tables 1–4:

Table 1 – Regional disparities and trends

Table 2 – Macro–economic developments

Table 3 – Financial allocation by main policy area

Table 3 CBC – Financial allocation by main policy area

Table 4 – Commitments by main policy area (by end–2010)

Table 4 CBC – Commitments by main policy area (by end–2010)

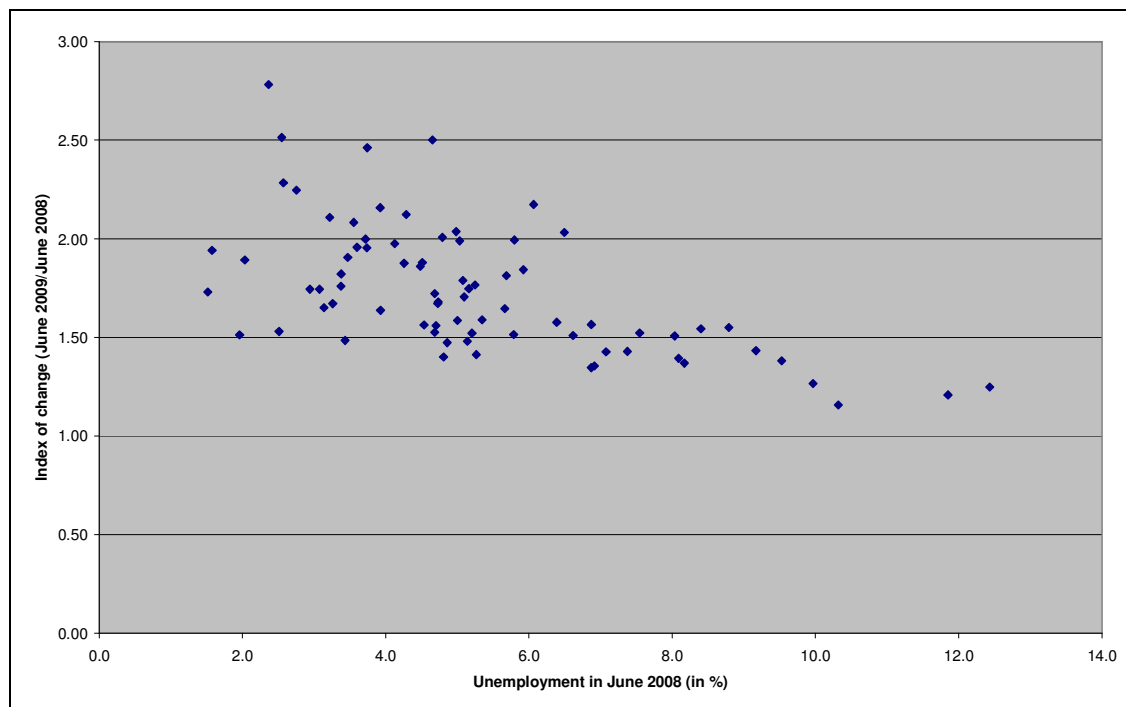
**Annex Table A – Reallocation within the Operational programmes performed during 2010 and during 1. half of 2011**

Operational programme	Contribution of the Community (in EUR million).			Date of approval by EC	Rationale
	PO	Original allocation	New allocation		
OP Enterprise and Innovation	PO 1	79.1	13.4	8. 7. 2010	Negative impacts of the global economic crisis – a shift from soft projects such as support to provision of consultancy services to capital projects directly enhancing competitiveness.
	PO 2	663.0	781.0		
	PO 3	243.3	355.5		
	PO 4	680.2	783.7		
	PO 5	1,076.6	918.7		
	PO 6	209.5	99.4		
ROP North-East	PO 1	242.9	233.4	24. 3. 2011	Negative impacts of global economic crisis, limited demand for support within sphere of intervention 4.1.
	PO 2	223.2	247.7		
	PO 3	144.4	133.4		
	PO 4	26.3	22.3		
ROP Central Bohemia	PO 1	232.6	214.7	14. 1. 2011	Negative impacts of global economic crisis, limited demand for support within sphere of intervention 1.1 (reconstruction or construction of new roads to new industrial premises). Change in regional priorities.
	PO 2	100.6	82.8		
	PO 3	206.9	242.5		
ROP Central Moravia	PO 1	255.1	240.1	15. 12. 2010	Negative impacts of global economic crisis and change of regional priorities (i.e. strengthening of integrated approach to sustainable development of cities in order to enhance concentration of resources and to enhance efficiency and effectiveness of interventions).
	PO 2	259.0	268.1		
	PO 3	121.6	127.5		
OP ČR-Poland	PO 1	70.2	81.6	15. 3. 2010	Negative impacts of global economic crisis, limited demand for support within several softer spheres of intervention contrasting with urgent need to upgrade transport infrastructure near border crossings.
	PO 2	79.0	69.6		
	PO 3	57.1	55.1		

Note: PO–priority axis Source: Ministry for Regional Development, NCA, Prague, August 2011.

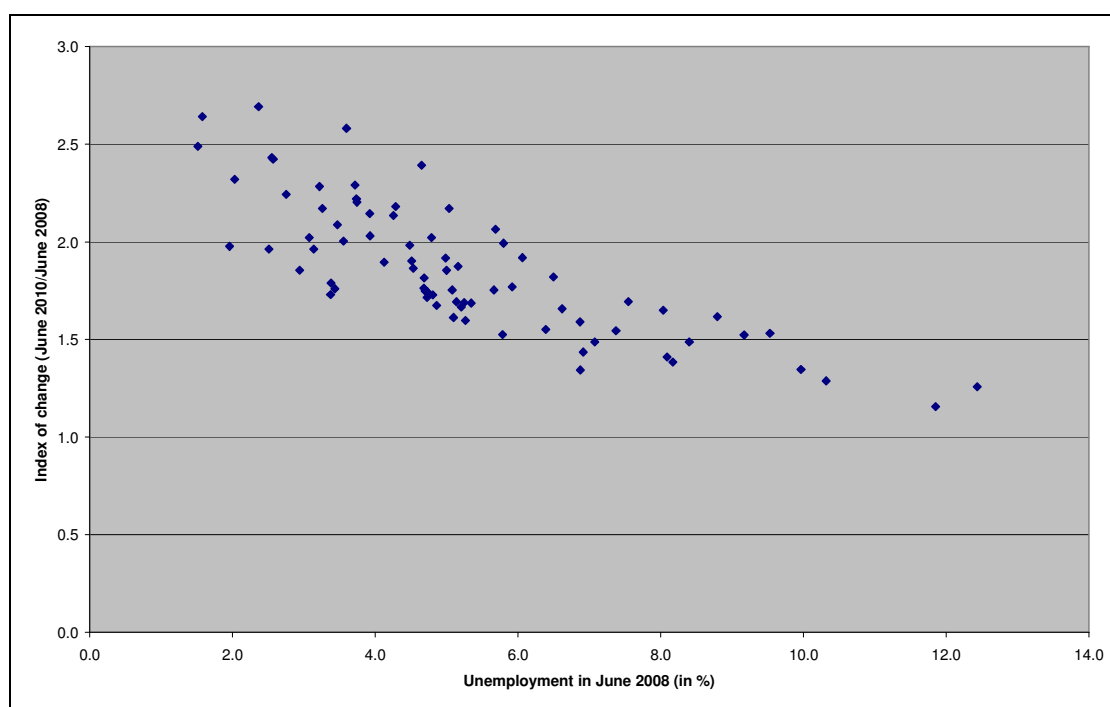
## ANNEX

**Annex Figure 1 – Change of unemployment between June 2008 and June 2009 according to Czech districts.**



Source: Blažek, Netrdová (forthcoming)

**Annex Figure 2 – Change of unemployment between June 2008 and June 2010 according to Czech districts.**



Source: Blažek, Netrdová (forthcoming)