



WP1: Synthesis report

*Ex post evaluation of Cohesion Policy programmes
2007-2013, focusing on the European Regional
Development Fund (ERDF) and the Cohesion Fund (CF)*

Task 3 Country Report Czech Republic

September 2016



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**WP1: Synthesis report
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**Task 3 Country Report
Czech Republic**

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List of abbreviations

AIR	Annual Implementation Report
CF	Cohesion Fund
ERDF	European Regional Development Fund
EU	European Union
GDP	Gross Domestic Product
GDFCF	Gross Domestic Fixed Capital Formation
MA	Managing Authority
NSRF	National Strategic Reference Framework
NUTS	Nomenclature of Territorial Units for Statistics
OP	Operational Programme
R&D	Research and Development
RTD	Research and Technological Development
SME	Small and Medium Enterprise



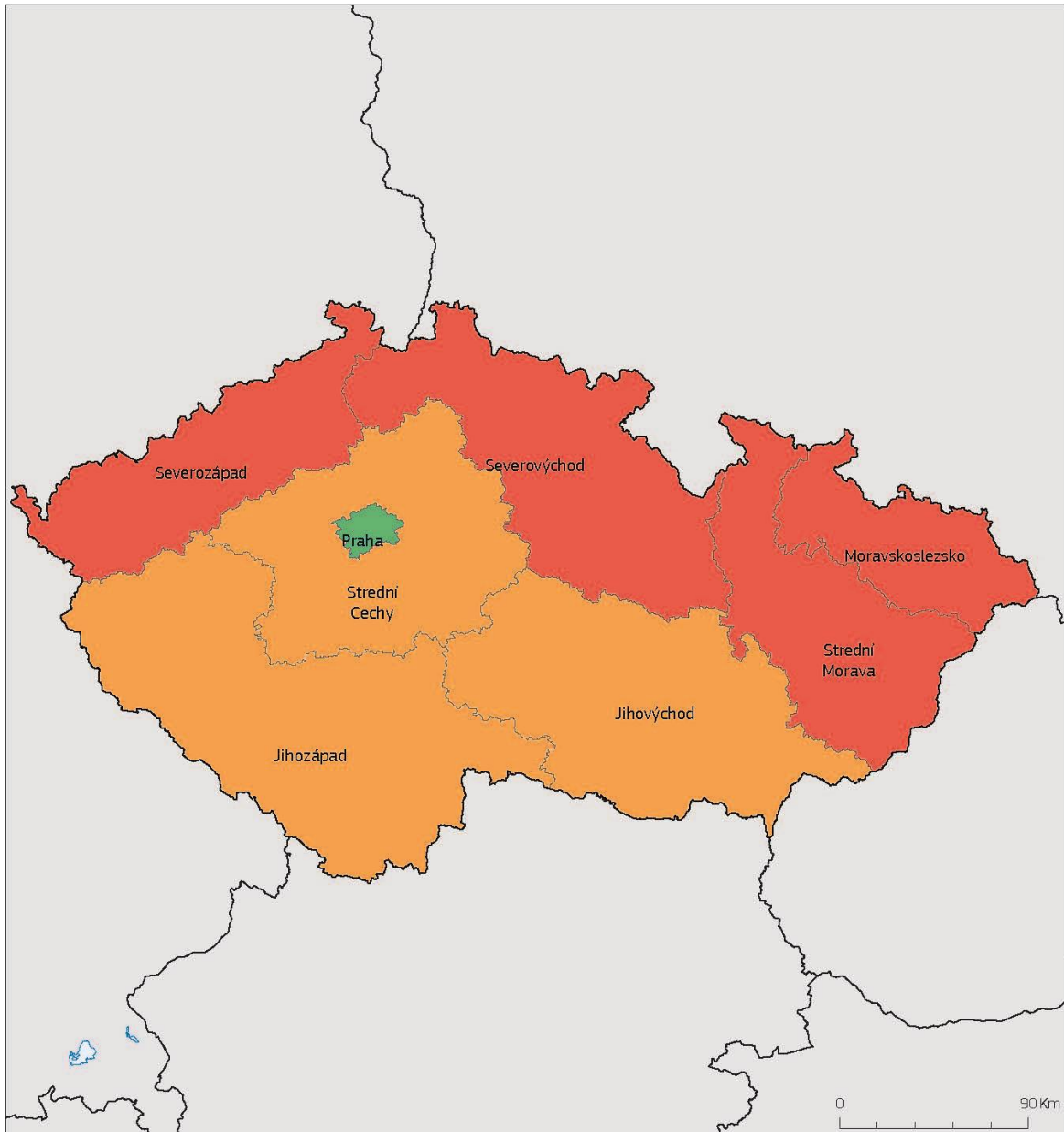
List of programmes and link to beneficiaries of ERDF and Cohesion Fund support

CCI	Name of OP	Link beneficiaries	Number of Projects
2007CZ161PO001	OP NUTS II Jihovýchod	http://www.strukturalni-fondy.cz/cs/Informace-o-cerpani/Seznamy-prijemcu	926
2007CZ161PO002	OP NUTS II Střední Morava	http://www.strukturalni-fondy.cz/cs/Informace-o-cerpani/Seznamy-prijemcu	1 175
2007CZ161PO004	OP Podnikání a inovace	http://www.strukturalni-fondy.cz/cs/Informace-o-cerpani/Seznamy-prijemcu	12 066
2007CZ161PO005	OP NUTS II Severovýchod	http://www.strukturalni-fondy.cz/cs/Informace-o-cerpani/Seznamy-prijemcu	722
2007CZ161PO006	OP Životní prostředí	http://www.strukturalni-fondy.cz/cs/Informace-o-cerpani/Seznamy-prijemcu	17 028
2007CZ161PO007	OP Doprava	http://www.strukturalni-fondy.cz/cs/Informace-o-cerpani/Seznamy-prijemcu	245
2007CZ161PO008	OP NUTS II Severozápad	http://www.strukturalni-fondy.cz/cs/Informace-o-cerpani/Seznamy-prijemcu	509
2007CZ161PO009	OP NUTS II Střední Čechy	http://www.strukturalni-fondy.cz/cs/Informace-o-cerpani/Seznamy-prijemcu	1 039
2007CZ161PO010	OP NUTS II Moravskoslezsko	http://www.strukturalni-fondy.cz/cs/Informace-o-cerpani/Seznamy-prijemcu	1 011
2007CZ161PO012	OP Výzkum a vývoj pro inovace	http://www.strukturalni-fondy.cz/cs/Informace-o-cerpani/Seznamy-prijemcu	192
2007CZ161PO013	OP NUTS II Jihozápad	http://www.strukturalni-fondy.cz/cs/Informace-o-cerpani/Seznamy-prijemcu	1 118
2007CZ162PO001	OP Praha Konkurenceschopnost	http://www.strukturalni-fondy.cz/cs/Informace-o-cerpani/Seznamy-prijemcu	354
2007CZ16UPO001	OP Technická pomoc	http://www.strukturalni-fondy.cz/cs/Informace-o-cerpani/Seznamy-prijemcu	328
2007CZ16UPO002	OP Integrovaný	http://www.strukturalni-fondy.cz/cs/Informace-o-cerpani/Seznamy-prijemcu	8 510

Note: The web links above are to websites of the respective Managing Authorities who, under the rules governing the 2007-2013 programmes were required to publish the names of the beneficiaries of the funding allocated. The number of projects supported has been estimated on the basis of the information published on the website at the time when the data were downloaded. In the meantime the data concerned may have been updated. It may also be that the data have been moved to another part of the website, in which case the link may not work. If this is the case, those who wish to locate the data concerned will need to go to the main OP website, as indicated by the beginning part of the link and search from there.



Map 1 Czech Republic and NUTS 2 regions, GDP/head (PPS), 2014



Czech Republic: GDP/head (PPS) by NUTS-2 region, 2014

- Index, EU-27 = 100
- < 50
 - 50 - 75
 - 75 - 90
 - 90 - 100
 - 100 - 125
 - >= 125
- ∕ NUTS2 boundaries

Sources: Eurostat, DG REGIO



Preliminary note

The purpose of the country reports is to provide for each Member State a short guide to the findings of the ex post evaluation of Cohesion policy programmes 2007-2013 undertaken by DG Regional and Urban Policy and an overview of the context in which the programmes were carried out. It is based on information produced by Task 1 and Task 2 of WP1 and on the country specific findings from the various WPs that form the ex post evaluation. These are listed below with an indication in brackets of the case studies carried out in the Member State concerned.

WP0 – Data

WP1 – Synthesis

WP2 – SMEs, innovation and ICT (case study OP Enterprises and Innovations)

WP3 – Venture capital, loan funds (case study OP Enterprises and Innovations)

WP4 – Large enterprises (case study OP Enterprises and Innovations)

WP5 – Transport (case study Track modernisation)

WP6 – Environment (case study Sewerage system in Brno)

WP8 – Energy efficiency (country report Czech Republic)

WP9 - Culture and tourism

WP10 – Urban development and social infrastructure

WP11¹ – European Territorial Cooperation (case study Interreg IVA Saxony-Czech-Republic)

WP12 – Delivery system (case study Assessment of capacity building financed by technical assistance – the case of Czech Republic)

WP13 – Geography of expenditure

WP14 – Impact modelling

¹ The findings from WP11 – European Territorial Cooperation are summarised in a separate report as part of Task 3 of WP1.



Executive summary

The Czech Republic economy experienced a downturn in economic activity in the wake of the global recession of 2008-2009 as demand from Germany and foreign direct investment inflows were reduced. The decline, however, was less marked than in many other EU countries. After some recovery in 2009-2011, there was a renewed slowdown in 2011-2013, but from 2014 on, the economy grew relatively strongly, especially in 2015.

As a result of the downturn, the employment rate declined between 2007 and 2009, though again by less than in many other Member States, before rising again as recovery occurred. In 2015, it was higher than in 2007. Unemployment increased during the downturn, if only slightly, and remained around 7% of the labour force over much of the period before falling to 5% in 2015.

The public sector balance which was in small deficit in 2007 went into a larger deficit in 2009 (of 5% of GDP) as a result of the recession and the measures taken to counter it, but through fiscal consolidation measures, including cutbacks in government investment, the deficit was progressively reduced over the period.

Regional disparities in GDP per head narrowed slightly over the period, as did those in employment and unemployment rates.

In total, support from ERDF and Cohesion Fund amounted to EUR 22 billion over the period, representing 2% of GDP and 34% of Government capital expenditure. Support was mostly concentrated in Convergence regions, in which funding amounted to an average per year of EUR 335 per head of population against EUR 52 per head in the capital city region of Praha, supported under the Competitiveness and Employment Objective.

EU funding was mainly used to support investment in transport and environmental infrastructure, and RTD and innovation, though in Praha, more was invested in the latter, together with enterprise support, while in Convergence regions, more went into infrastructure investment of various kinds.

Overall, the measures co-financed over the period led directly to the creation of over 26 900 jobs, of which over 3 900 were in research. This was achieved, in part, through support given to 1 423 RTD projects, 8 047 projects to help firms finance investment and 636 cooperation projects between SMEs and research centres.

In addition, support for investment in transport led to the construction of 312 km of new roads, 111 km of them part of the trans-European Transport Network (TEN-T), and the improvement of 2 018 km of existing roads and 369 km of railway lines. Moreover, investment in environmental infrastructure helped to connect more than 490 thousand people to improved wastewater treatment facilities and over 370 thousand to clean drinking water supply.

Overall, Cohesion and rural development policies are estimated to have increased Czech GDP in 2015 by almost 4% above the level it would have been in the absence of the funding provided and in 2023, GDP will be around 3.5% higher because of these policies according to the estimates.



1. The policy context and background

1.1. Macroeconomic situation

The Czech Republic experienced a period of strong economic growth between 2000 and 2007 at a rate of over 4% a year. In 2008-2009, however, the economy went into recession as demand from Germany declined and the inflow of foreign direct investment (FDI) was reduced in the wake of the global recession. Although there was a modest upturn in 2009-2011, GDP again declined in the following two years 2011-2013 (Table 1). From 2014 on, as in most other EU countries, there was renewed growth, in 2015, increasing to 4.5%, comparable to the rate experienced before the onset of the crisis.

Table 1 GDP growth, employment and unemployment, Czech Republic and the EU, 2000- 2015

	2000-07	2007-09	2009-11	2011-13	2013-14	2014-15
GDP growth			<i>(Annual average % pa)</i>			
Czech Republic	4.6	-1.1	2.1	-0.7	2.0	4.5
EU average	2.3	-2.0	1.9	-0.1	1.4	1.9
	2000	2007	2009	2011	2013	2015
Employment rate (% 20-64)						
Czech Republic	70.9	72.0	70.9	70.9	72.5	74.8
EU average	66.5	69.8	68.9	68.6	68.4	70.1
Unemployment rate (% lab force)						
Czech Republic	8.8	5.3	6.7	6.7	7.0	5.0
EU average	9.2	7.1	8.9	9.6	10.8	9.3

Source: Eurostat, National accounts and Labour Force Survey

Despite the economic downturn in 2007-2009 and 2011-2013, employment was largely maintained. Although the employment rate declined between 2007 and 2009, it did so by only 1 percentage point, and it remained at 71% of the population aged 20-64 in the subsequent two years before increasing to 72.5% in 2013 and close to 75% in 2015. Throughout the period, the rate was above the EU average. Similarly, unemployment remained below the EU average during these years, increasing from 5.3% of the labour force in 2007 to 6.7% in 2009 but remaining there or just above until 2015 when it declined back to 5%. The employment performance was partly a result of the economic health of firms, supported by international capital and technological know-how (from Germany especially, but also from Korea, Japan and the US).

The economic downturn, together with the measures taken to counter this, led to the public sector balance moving from a small deficit in 2007 to one of 5.5% of GDP in 2009. This led to the Council launching an Excessive Deficit Procedure against the country². The implementation of fiscal consolidation measures from 2010 reduced the deficit to under 3% of GDP in 2011 and progressively to near balance by 2015 (Table 2). Cutbacks in government investment were a significant part of the consolidation measures and this declined from 5.5% of GDP in 2009 to under 4% in 2013 before increasing again to over 5% in 2015.

² Council Decision of 19 January 2010 on the existence of an excessive deficit in the Czech Republic (2010/284/EU).

**Table 2 Government budget balance, accumulated debt and investment, Czech Republic and the EU, 2000-2015**

	2000	2007	2009	2011	2013	2015
Public sector balance			(% GDP)			
Czech Republic	-3.5	-0.7	-5.5	-2.7	-1.3	-0.4
EU average	0.0	-0.9	-6.7	-4.5	-3.3	-2.4
Public sector debt						
Czech Republic	17.0	27.8	34.1	39.9	45.1	41.1
EU average	60.6	57.9	73.1	81.1	85.5	85.2
General Govt investment						
Czech Republic	4.2	4.6	5.5	4.5	3.7	5.2
EU average	2.9	3.2	3.7	3.3	3.0	2.9

Source: Eurostat Government financial accounts

1.2. Regional Disparities

The Czech Republic is divided into 8 NUTS 2 regions. The Capital city region, Praha, with a GDP per head of 182% of the EU average in 2007 (though this is pushed up substantially by the effect of inward commuting – see Country folder for the Czech Republic), was included under the Competitiveness and Employment Objective for the 2007-2013 period. The remaining regions, with an average GDP per head of 70% of the EU average in 2007, were supported under the Convergence Objective.

Historically, Praha has developed much more quickly than the rest of the country and is the centre of business and financial services³, with a large proportion of tertiary-educated people and R&D expenditure relative to GDP similar to the EU average.

Regional disparities in GDP per head narrowed slightly over the 2007-2013 programming period, the level in Praha in PPS terms declining relative to the EU average (from 182% in 2007 to 173% in 2014) while the average level in the rest of the country increased (from 70% to 72%).

There are also long-term disparities in employment and unemployment rates between Praha and the other regions, though these also narrowed over the period. The employment rate in Praha was, therefore, just 1 percentage point higher in 2015 (at 78%) than in 2007, while in the other regions, it was 3 percentage points higher on average (at just over 74%). The unemployment rate was slightly higher in Praha in 2015 than in 2007, in the other regions, slightly lower, though the gap between the rates remained large (the rate in the other regions was around twice that in Praha).

2. Main features of Cohesion Policy implementation

2.1. Nature and scale of Cohesion Policy in the country

The objectives of Cohesion Policy in the Czech Republic were set in the National Strategic Reference Framework (NSRF) adopted in 2007. It identified four strategic objectives: (a) a competitive Czech economy; (b) a flexible and cohesive society; (c) an attractive environment; and, (d) balanced territorial development.

In total, EUR 22.1 billion were allocated to the country from the ERDF and Cohesion Fund for the 2007-2013 period, representing 2% of Czech GDP over these 7 years and 34% of Government capital expenditure, slightly lower than the EU12 average (39%) (Table 3). The funding going to Convergence regions amounted to EUR 335 per head of population a year over the period, over 6 times the level of funding in the Competitiveness region of Praha.

³ A quarter of the total employed were concentrated in these sectors, compare with only 9% in the other regions (data as at 2012) – see Country folder for the Czech Republic.



Table 3 ERDF, Cohesion fund and national co-financing for the 2007-2013 period in the Czech Republic, initial (2007) and last (April 2016)

	2007				2016			
	EU funding	National public funding	National private funding	Total	EU funding	National public funding	National private funding	Total
EUR million								
Convergence	22 075.6	3 895.7	-	25 971.3	21 693.5	3 130.1	698.1	25 521.8
Competitiveness	452.5	79.9	-	532.4	452.5	72.5	7.3	532.4
Total	22 528.1	3 975.5	-	26 503.6	22 146.0	3 202.7	705.5	26 054.1
<i>Change, 2007-2014</i>								
Convergence					-382.1	-765.5	698.1	-449.5
Competitiveness					0.0	-7.3	7.3	0.0
Total					-382.1	-772.9	705.5	-449.5
% GDP	2.08	0.37	-	2.44	2.04	0.30	0.06	2.40
% Govt. capital expend	34.9	6.2	-	41.0	34.3	5.0	1.1	40.4
Per head (EUR) pa	306.3	54.1	-	360.4	301.1	43.5	9.6	354.2
of which:								
Convergence	340.6	60.1	-	400.8	334.8	48.3	10.8	393.8
Competitiveness	51.8	9.1	-	60.9	51.8	8.3	0.8	60.9
EU15								
% GDP	2.15	0.43	0.06	2.63	2.17	0.36	0.08	2.61
% Govt. capital expend	38.3	7.6	1.0	46.9	38.7	6.4	1.4	46.5
Per head (EUR) pa	204.6	40.5	5.3	250.4	206.8	34.2	7.4	248.4
of which:								
Convergence	212.4	42.1	5.6	260.2	214.6	35.5	7.8	258.0
Competitiveness	69.7	12.3	-	82.0	70.1	12.2	0.2	82.5

Note: EU funding relates to decided amounts as agreed in 2007 and as at 14 April 2016. The figures for % GDP and % Govt. capital expenditure relate to funding for the period as % of GDP and General Government capital expenditure aggregated over the years 2007-2013. Govt. capital expend is the sum of General Government gross fixed capital formation and capital transfers. The EU12 figures are the total for the EU12 countries for comparison.

Source: DG Regional and Urban Policy, Inforegio database and Eurostat, national accounts and Government statistics

The four objectives set out above were pursued through 14 Operational Programmes: four sectoral OPs under the Convergence Objective (for Transport, Enterprises and Innovation, Research and Development for Innovation, and the Environment), 7 regional OPs (for each of the NUTS 2 regions under the Convergence Objective), one OP for Praha under the Competitiveness Objective, and two multi-objective OPs (Integrated Operational Programme and Technical Assistance). Around 98% of funding went to OPs under the Convergence Objective (21% to 7 regional OPs and 77% to the national OPs) and the rest went to the regional OP for Praha.

2.2. Division of funding between policy areas and changes over the period

The distribution of ERDF financing between broad policy areas differed in the Convergence regions from that in the Competitiveness one. In particular, in the latter a larger share of funding went to Enterprise support and innovation (33%), reflecting the priority given to increasing private sector R&D investment and to supporting the internationalisation of SMEs (Table 4). Conversely, a larger proportion of funding in the Convergence regions went to social and cultural infrastructure and urban development and tourism (the 'territorial dimension' in the table) as well as to investment in other infrastructure. In these regions, transport absorbed almost the half of the total ERDF and Cohesion Fund available. Overall, the Competitiveness region allocated a larger proportion of funding to policy areas aimed mainly at economic objectives (items 1, 2 and 5 in Table 4), while a larger share of funding was allocated to areas aimed largely at social and sustainability objectives (items 3 and 4) in Convergence regions. Finally, the two Multi-Objective programmes allocated more than 40% of their funding to social and territorial aspects.



Table 4 Division of ERDF and Cohesion fund financing for the 2007-2013 period in the Czech Republic by broad category

	Convergence		Competiveness		Multi-objective	
	EUR mn	% total	EUR mn	% total	EUR mn	% total
1. Enterprise support, innovation	4 102.9	20.4	81.3	33.4	0.0	0.0
2. Transport, energy, ICT	9 385.7	46.6	102.9	42.3	459.5	26.1
3. Environmental	3 551.7	17.6	38.4	15.8	335.9	19.1
4. Social, culture+territorial dimension	2 510.9	12.5	15.2	6.3	769.5	43.7
5. Human capital - Labour market	152.2	0.8	0.0	0.0	0.0	0.0
6. Technical assistance, capacity building	438.6	2.2	5.4	2.2	196.0	11.1
Total	20 141.9	100.0	243.2	100.0	1 760.9	100.0

Note: Division of decided amounts of funding as at 14 April 2016. Territorial dimension' includes support for urban and rural regeneration and tourist services and measures to compensate for climate conditions.

Source: DG Regional and Urban Policy, Infonegio database

In the course of the programming period, there were no consistent shifts of funding between policy areas and the broad underlying pattern of priorities remained substantially unchanged (Table 5)⁴. Accordingly, funding continued to be concentrated on long-term objectives and only limited reallocation of funding occurred to offset the short-term effects of the crisis.

The main changes consisted of a small increase in resources for transport, especially for investment in rail, as well as for investment in energy. Funding to support enterprise investment also increased.

The main changes in the allocation of funding occurred in 2011. First, on the basis of Inter-institutional Agreement, the Czech Republic obtained additional financial resources amounting to EUR 237 million. Secondly, the government decided to reallocate EUR 52.9 million from the Technical Assistance OP to several other OPs (to the Enterprise and Innovation OP, and to all regional OPs). In addition, in 2013, financial resources were diverted from the Severozápad region to several better performing ones, as well as from the Environment OP to Transport. The main reason for these shifts was a delay in the OPs concerned to absorb funding and the consequent fear of de-commitments.

Table 5 Division of financial resources in the Czech Republic for 2007-2013 by category, initial (2007) and last (April 2016) and shift between categories

Category	2007		2016		EUR mn		% Total	
	2007	2016	Added	Deducted	Net shift	2007	2016	
1. Innovation & RTD	3 345.3	3 395.5	718.0	-667.9	50.1	14.8	15.3	
2. Entrepreneurship	354.8	285.8	-	-69.0	-69.0	1.6	1.3	
3. Other investment in enterprise	347.8	502.9	158.6	-3.5	155.1	1.5	2.3	
4. ICT for citizens & business	1 011.1	848.1	52.2	-215.2	-163.0	4.5	3.8	
5. Environment	4 210.3	3 925.9	421.0	-705.4	-284.3	18.7	17.7	
6. Energy	1 190.0	1 316.5	516.9	-390.4	126.5	5.3	5.9	
7. Broadband	-	-	-	-	-	-	-	
8. Road	3 882.4	3 796.9	183.8	-269.3	-85.5	17.2	17.1	
9. Rail	2 770.2	2 900.9	222.3	-91.5	130.7	12.3	13.1	
10. Other transport	1 063.4	1 085.7	125.7	-103.4	22.3	4.7	4.9	
11. Human capital	162.1	110.6	1.5	-53.0	-51.5	0.7	0.5	
12. Labour market	180.5	41.6	1.5	-140.5	-139.0	0.8	0.2	
13. Culture & social infrastructure	1 734.0	1 808.5	222.4	-147.9	74.5	7.7	8.2	
14. Social Inclusion	3.5	3.4	-	-0.0	-0.0	0.0	0.0	
15. Territorial Dimension	1 411.9	1 483.8	139.8	-68.0	71.8	6.3	6.7	
16. Capacity Building	104.6	99.5	9.6	-14.8	-5.2	0.5	0.4	
17. Technical Assistance	756.1	540.5	13.3	-228.9	-215.6	3.4	2.4	
Total	22 528.1	22 146.0	2786.7	-3 168.8	-382.1	100.0	100.0	

Note: 'Added' is the sum of additions made to resources in OPs where there was a net increase in the funding going to the category. 'Deducted' is the sum of deductions made to resources in OPs where there was a net reduction in funding. 'Social inclusion' includes measures to assist disadvantaged groups and migrants. 'Territorial dimension' includes support for urban and rural regeneration and tourist services and measures to compensate for climate conditions.

Source: DG Regional and Urban Policy, Infonegio database, April 2016

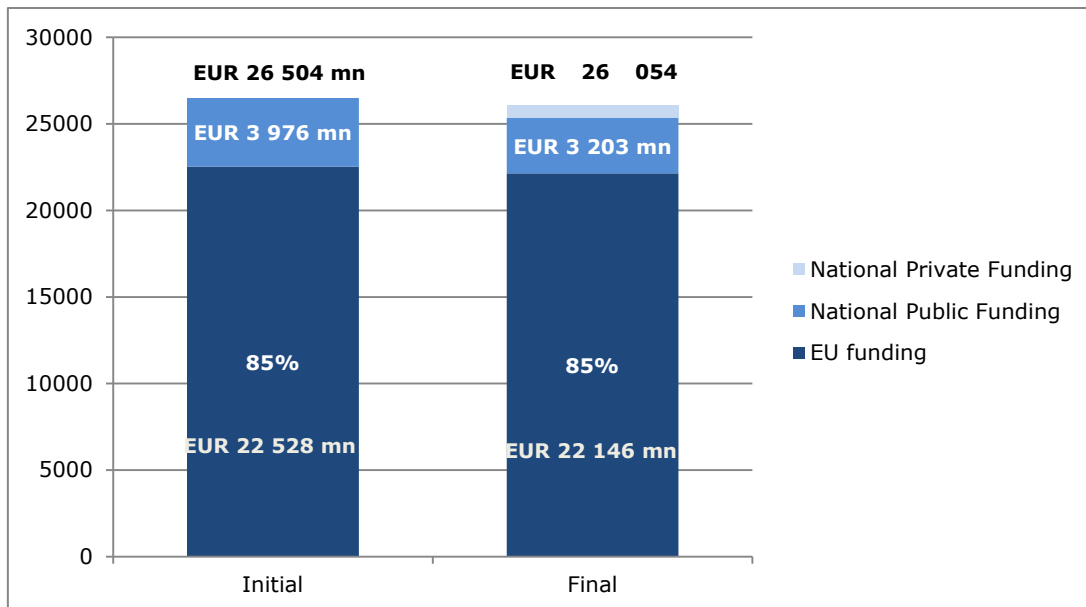
⁴ The 17 categories shown in the table are aggregations of the more detailed 87 categories into which expenditure was divided in the period for reporting purposes.



2.3. Policy implementation

Although the Czech Republic received an additional allocation of EU funding, de-commitments stemming from a failure to spend the funding available in time led to a net reduction in EU funding of EUR 382 million over the period. At the same time, national funding also declined by EUR 773 million, partly offset by private funding being provided. Altogether, the total financial resources available from the ERDF and Cohesion Fund for the Czech Republic were reduced by around EUR 0.45 billion (Figure 1).

Figure 1 Total funding going to expenditure on Cohesion policy programmes for the 2007-2013 period, initial planned amount and final amount (EUR mn)



Source: DG Regional Policy financial data, 14 April 2016

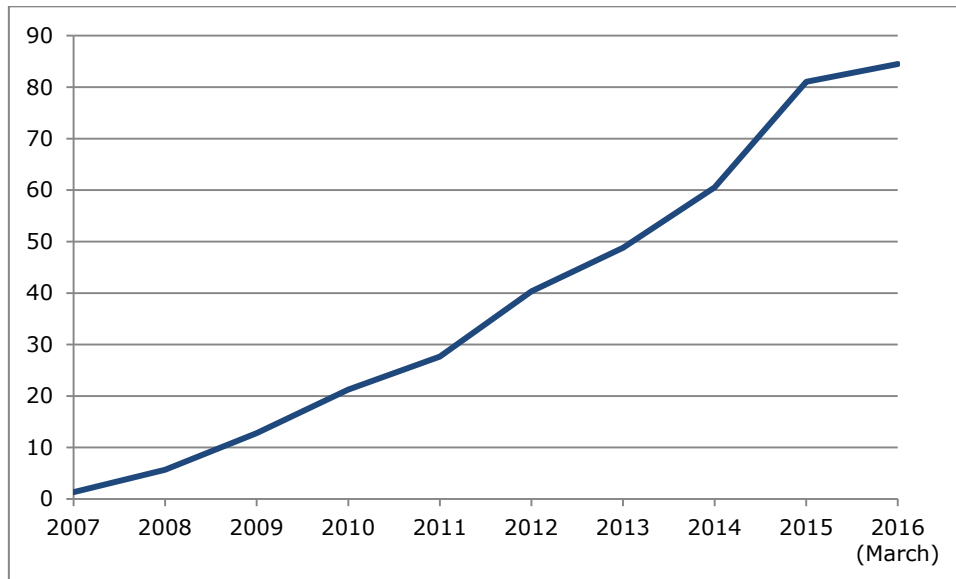
The pace of programme implementation, as reflected in payments from the Commission relative to the total funding available, was particularly slow up until the end of 2009. This was mainly due to the late approval of the majority of OPs (which happened in late 2007 and the beginning of 2008) and delays in launching calls for applications and in contracting. The rate of implementation varied greatly between OPs, with the Research and Development for Innovations OP, the Environment OP and the Integrated Operational Programme being particularly slow.

In autumn 2009, as a response to the economic crisis, a set of measures was implemented to speed up financial flows and reduce the financial pressure on final beneficiaries. As a result, starting from 2011, the rate of programme implementation accelerated and at the end of March 2016 payments from the ERDF and Cohesion Fund amounted to 84.5% of funding available (Figure 2). Since 95% of the funding available should have been spent by the end of 2015 to comply with the regulation, this raises a question over whether further de-commitments are in prospect⁵.

⁵ It might be that claims for expenditure incurred have been delayed so that more spending took place before the end of 2015 than the payments figure suggests.



Figure 2 Time profile of payments from the ERDF and Cohesion fund to the Czech Republic for the 2007-2013 period (% of total funding available)



Source: DG Regional Policy financial data, end-March 2016

2.4. Delivery system (WP12)

An evaluation of the management and implementation of Cohesion policy over the 2007-2013 period was carried out by WP12⁶. It concluded that the Czech public administration, governance and delivery system suffered from a number of shortcomings in the 2007-2013 period. In particular, it identified the following issues: the lack of an effective civil service Act before 2014, which reduced the overall efficiency of the public sector and affected the independence of procedures; the weak management role of the National Coordination Authority (NCA) in the implementation of OPs; and the high staff turnover and the weakness of the IT monitoring system.

These issues were addressed both by the Technical Assistance (TA) OP (with some EUR 193 million) and by specific priority axes in the other OPs. However, the majority of the resources of the TA OP were spent on covering employment costs, additional operational costs, and other expenses such as studies and evaluations. Only 18% of the total budget was spent on capacity building activities (EUR 35 million), especially on investment in IT infrastructure and software for monitoring and managing projects and training.

Nonetheless, the TA OP, as well as some adjustments in the existing legal framework and the public administration system (e.g. the adoption of the Civil Service Act in 2014) helped to mitigate some of the shortcomings. In particular, the Audit Authority was centralised within the Ministry of Finance, increasing the independence and reliability of audit results; the NCA gained recognition and the spectrum of activities performed gradually broadened and deepened, and staff turnover was reduced.

Case study: Specialised expert assistance for administrative capacity building⁷

The project was financed by the Technical Assistance OP and was carried out between March 2012 and December 2013. The project was aimed at improving the administrative capacity of individual OP Managing Authorities by providing expert assistance in various areas, such as public procurement law, financial control, tax and payroll and accounting.

⁶ The WP12 report is published at http://ec.europa.eu/regional_policy/en/policy/evaluations/ec/2007-2013/#1?

⁷ The case study was carried out as part of: Assessment of capacity building financed by technical assistance (Task 5), Delivery System, WP12, see http://ec.europa.eu/regional_policy/en/policy/evaluations/ec/2007-2013/%231?#1.



The Managing Authorities (MAs) received expert assistance in 2 151 cases, the experts requested being specialised in economics and accounting (40%), public procurement (31%), tax and payroll (13%), construction (7%) and other areas (9%).

As a result, the projects were regarded as examples of good practice since the overall number of errors in project administration was lowered and the administrative capacity of the MAs increased.

3. The outcome of Cohesion Policy programmes – main findings from the ex post evaluation

The main findings summarised here come from the evaluations carried out under the Work Packages (WPs) of the overall ex-post evaluation exercise. They covered in detail the following policy areas:

- Support to SMEs – increasing research and innovation in SMEs and SME development (WP2);
- Financial instruments for enterprises (WP3);
- Support to large enterprises (WP4);
- Transport (WP5);
- Environment (WP6);
- Energy efficiency in public and residential buildings (WP8);
- Culture and tourism (WP9);
- Urban development and social infrastructure (WP10);
- European Territorial Cooperation (WP11);
- Delivery system (WP12);
- Geography of expenditure (WP13);
- The impact of cohesion policy 2007-2013: model simulations with Quest III and Rhomolo (WP14).

All of these are relevant for the Czech Republic. The evaluation of ETC (WP11), it should be noted, is the subject of a separate report. The findings of WP12 were outlined above, while the estimates produced by WP13 on the allocation of funding and of expenditure between regions are not considered here⁸.

3.1. Enterprise support and innovation (WP2, WP3 and WP4)

Over the programming period, the Czech Republic allocated around EUR 4.2 billion to this broad policy area, corresponding to some 19% of the total Cohesion Policy budget. Around 81% of this went to support of Innovation and RTD and a total of 1 423 RTD projects and 636 cooperation projects between enterprises and research institutes were co-financed.

As a result of the funding 3 900 research jobs were created. In addition, the ERDF contributed to the creation of 36 start-ups and co-financed 8 047 investment projects in SMEs (see Table 6 at the end of this section).

SME support, R&D and innovation (WP2)

In the programming period, the structure of the Czech Republic economy was characterised by a weak SME sector, wide prevalence of the branch-plant syndrome (meaning that SMEs which are part of national and multi-national value chains are oriented exclusively to the assembly of standard goods without any strong spill-over

⁸ They are available at: http://ec.europa.eu/regional_policy/en/policy/evaluations/ec/2007-2013/#1.



effects), and the locking-in of a sizeable proportion of companies as lower-tier suppliers of global production networks. There were also limited inter-firm and science-business links, low innovation activity in SMEs and the financial instability of many firms. SMEs, however, contributed significantly to exports (accounting for 52%), employment (61% of the total) and value-added (36%), despite these weaknesses.

Conversely, low-cost production meant an advantage in terms of the inflow of FDI. The Czech Republic was ranked among “moderate innovators” (in 2014 and 2016) in the European Innovation Scoreboard⁹ and it had highly fragmented regional innovation systems and poor innovation policy coordination. The capital city region of Praha had the best performance, while other less developed regions had the highest number of below-average macroeconomic and innovation indicators.

Although SMEs had several national sources of financial support, the Enterprise and Innovation OP was the most important in terms of volume of funds (see Box for an outline of its role and achievements).

OP Enterprise and Innovation case study¹⁰

The main role of the Enterprise and Innovation (EI) OP was to strengthen the competitiveness of the Czech economy by supporting the growth and innovation performance of SMEs. It had a financial allocation of EUR 3.7 million (EUR 3.1 million coming from the ERDF).

The programme was mainly focussed on supporting ‘hard’ investment, such as in new machinery and equipment. The EI OP supported a wide range variety of policy instruments, although without them being integrated and it was concerned with approving individual projects. As a consequence, there was no coherent business innovation strategy at regional level.

The evaluation paid particular attention to the policy instrument, ‘Support for innovative performance of firms’, which focussed on the development of innovation in enterprises, including the development of their cooperation with R&D centres, as well as the strengthening of their capacity for R&D and related activities. However, subsidies for these kinds of intervention were not significant, as firms with innovation potential had often already established such links before the implementation of the project.

On the other hand, the evaluation found that innovation projects, financed by the same policy instrument described above, had a positive stabilising effect on the competitiveness of enterprises during the economic crisis. In fact, supported companies reported positive developments in both production and labour productivity during a period of stagnant demand. In particular, innovative projects had a positive effect on the cumulative development of companies, helping to improve the quality of innovative products, leading to increases in production and sometimes expansion into new markets.

Nonetheless, the case study also identified some critical aspects as regards the long-term sustainability of the results. For example, it is not clear whether and to what extent companies supported will be able to replace the technology and equipment purchased from their own resources.

Financial Instruments for enterprises (WP3)

Loan guarantees and subsidised interest rates have been used to support investment in the Czech Republic since 1990 and they were part of the ERDF assistance after accession to the EU. During the 2007-2013 period, the “Enterprise and Innovation” OP financed 2 FIs, through EUR 133 million of the ERDF, which represented 3% of the total support to enterprises, though less than 1% of the overall ERDF support to the Czech Republic. By the end of 2014, all the funding allocated had been paid into the respective funds and the great majority of this (86%) had already reached final recipients.

⁹ See http://ec.europa.eu/growth/industry/innovation/facts-figures/scoreboards_en.

¹⁰ The full case study report can be consulted here:

http://ec.europa.eu/regional_policy/sources/docgener/evaluation/pdf/expost2013/wp2_case_study_cz.pdf.



FIs were principally used as a means of supporting SMEs facing difficulties in obtaining loans on the financial market because of the restrictions placed by banks on providing funding for innovation projects.

Evidence from the Czech case study suggests that FI's had a positive effect on job creation, being more cost-effective than grants (see Box on the Enterprise and Innovation OP).

Enterprise and Innovation OP case study¹¹

In the 2007-2013 period, the EI OP allocated some 5% of its budget (EUR 147.5 million) to two FIs, the Guarantee Fund and the Credit Fund. The former provided SMEs with guarantees for loans, while the latter provided assistance to them through interest rate support and loans.

Despite some implementation delays, the financial performance of FIs is regarded as good. By 2014, 90% of the funds allocated had been paid to final recipients (3 774). The investment strategy of both funds remained constant after they were set up in 2007.

The FIs contributed significantly to job creation through focusing on growth projects, rather than risky, earlier stage investments. Around 17%, or 5 780, of newly created jobs in the OP were reported as resulting from FIs, the cost per additional job created being significantly lower for FIs than for grants.

The financial sustainability of the Credit Fund is, however, not yet clear, because there is no defined exit policy and defaults are expected to increase. However, the fund manager expected residual funding to be used either for a special government development credit programme or for existing financial products.

Large enterprises (WP4)

By the end of 2014, according to the evaluation undertaken by WP4, the Czech Republic had allocated EUR 467 million to large enterprises, exclusively in the form of non-refundable grants. This represents around 11% of the total ERDF support going to enterprises, or just under 2% of the ERDF and Cohesion Fund available for the Czech Republic.

Overall, 520 projects were co-financed in 339 large enterprises, which indicates that some firms were supported multiple times during the period. On average, each enterprise received EUR 1.4 million of support, slightly less than the average of EUR 1.6 million of the 8 case study countries included in the evaluation. 37% of the enterprises supported employed less than 250 people at the site receiving support and 13% employed over 1 000. Nearly half of the enterprises (47%) were foreign multinationals (as against an average of 31% in the 8 case study countries).

Support to large enterprise was not a specific objective of the OP. However, evidence from the case study suggested that the support provided had a positive effect on the productivity and employment of the firms concerned (see Box).

Enterprise and Innovation OP case study¹²

The aim of the Enterprises and Innovation OP was to increase the competitiveness of the Czech economy and bring the innovation performance of the industry and service sectors closer to that of the leading industrial EU Member States. The support for large enterprises was mainly focused on projects with a high innovative potential, aimed at the development of sophisticated technological solutions and at contributing to the ecological effectiveness of production and improving energy efficiency.

Evidence from the case study shows a high level of effectiveness of ERDF support in terms of investment, productivity and employment. However, the projects supported would have been implemented even without support although they would have been implemented later and/or with a more limited scope.

¹¹ The full case study report can be consulted here:
http://ec.europa.eu/regional_policy/sources/docgener/evaluation/pdf/expost2013/wp3_final_en.pdf.

¹² The full case study report can be consulted here:
http://ec.europa.eu/regional_policy/sources/docgener/evaluation/pdf/expost2013/wp4_case_study.pdf.



Projects for technological upgrading were found to have been successful in helping companies improve their services and develop new solutions contributing to their growth. Companies planned projects as a part of their overall development strategy, taking into consideration tax levels and strategic location. Investment had significant effects on the development of productivity and employment. The favourable outcomes, however, can be only partly attributed to the projects as parallel support was provided and favourable market trends positively affected company performance. Some positive spill-overs were also noted, especially regarding education and training of the local work force; increased labour mobility and wages.

As regards projects specifically aimed at supporting innovation, these were successful in helping companies to innovate and to upgrade their production with more sophisticated products and higher value-added. The projects concerned were found to increase the competitiveness of companies on international markets and, in the case of the smaller larger companies, to assist their transformation from companies with a local focus to firms with export capability.

3.2. Transport (WP5)

Over the 2007-2013 period, the ERDF and Cohesion Fund allocation to transport amounted to EUR 7.8 billion, or 35% of the total funding available. The funding was mainly focused on roads, which received 47% of the amount going to transport, while 37% went to rail and 12% was other transport, particularly to urban transport. EU funding amounted to around 24% of total investment in transport in the country over the period. Altogether, by the end of 2014, Cohesion Policy financed the construction of 312 km of new roads, of which 111 km were on the TEN-T, and the upgrading of 2 018 km of existing roads. Funding also helped to improve 369 km of railway line, mainly on TEN-T routes (see Table 6 at the end of this section).

Track modernisation Votice to Benešov u Prahy case study¹³

The track modernisation project formed part of the National Transport Policy of the Czech Republic and was financed by the Transport OP2007-2013. The objective of the project was to increase the capacity of the railway line between Votice and Benešov u Prahy by making the track a double one enabling speeds of up to 160 km per hour to be achieved, increasing freight loading capacity, modernising stations and upgrading signalling, control and communications equipment. The project, completed in May 2013, forms a part of the modernisation and upgrading of the Czech National Rail Corridor IV, a 226 km long section from Prague to Horní Dvořiště on the Austrian border which was started in 2001. It represents a key link in the TEN-T railway system as it connects Prague to České Budějovice and cross-border connections to Austria.

Due to savings made during the procurement phase and the reduction in tunnel construction, both the completion time and costs were less than planned (EUR 317 million, instead of EUR 351 million). The Cohesion Fund covered half the cost of the project, which will lead to increase passenger numbers and freight carried because of improved journey times and reliability. The project will also increase the capacity of Corridor IV to carry cross-border rail traffic between the Czech Republic and Austria by providing a continuous, high quality route which is fully interoperable with EU standard rolling stock and technology.

3.3. Environmental infrastructure (WP6)

Some EUR 3.9 billion, or nearly 18% of the funding available budget, was allocated to investment in environmental infrastructure. Of this, some EUR 2.1 million, or more than half, was allocated to water supply and wastewater treatment (EUR 1.6 million) and waste management (EUR 0.5 million) which were the focus of the evaluation carried out under WP6.

Over the 2007-2013 period, the share of municipal waste which was recycled increased from 10% to 20%. Output indicators show that 318 projects in this area were undertaken. In other areas, the projects carried out contributed to increasing the rate of compliance with the EU Directive for Waste Water Collection and Treatment (UWWT) from 25-50% in 2007 to over 75% in 2013.

¹³ The full case study report can be consulted here: http://ec.europa.eu/regional_policy/sources/docgener/evaluation/pdf/expost2013/wp5_task3_en.pdf.



By the end of 2014, the population served by drinking water supply projects had been increased by 371 321, exceeding the target of 310 000. The population connected to wastewater projects was also increased by 490 266 (see Table 6 at the end of this section).

Renovation and completion of the sewerage system in Brno case study¹⁴

The objectives of the project were to improve storm water drainage and wastewater collection and treatment in Brno and Brno-Žebtín in order to comply with the EU Directive 91/271/EEC. Total investment amounted to EUR 91 million, of which EUR 35 million was provided by the EU. The investment included modernisation and completion of the main drainage system in Brno, with the additional aim of improving the water quality in the Svratka and Svitava rivers, and extension of the system to three City districts, providing new connections for people.

As a result, 11 km of sewerage pipelines were upgraded, 13 km of new pipelines were constructed and 4 712 additional people were connected to the system.

3.4. Energy efficiency in public and residential buildings (WP8)

The Czech Republic has a high consumption of energy compared with other EU Member States, with emission levels of CO₂ equivalents relative to GDP almost double the EU15 average. Over the 2007-2013 period, some EUR 1.1 billion, or 5% of the funding available, were allocated to energy saving, more than in any other country. EUR 710 million of this went to improving energy efficiency in public and residential buildings, the focus of the WP8 evaluation. Support was provided through loan guarantees as well as non-repayable grants.

Energy efficiency in public buildings and business facilities in the Environment OP: case study¹⁵

The Environment OP allocated EUR 585 million of the Cohesion Fund to support of energy efficiency investment in public buildings in the form of grants, the projects including the installation of thermal insulation, measurement and control devices and systems to convert waste to heat or electric energy. Funding was increased over the period to respond to the high demand. The majority of public buildings concerned were schools, though they also included non-profit organisations. By the beginning of 2014, 244 projects had been undertaken and energy consumptions had been reduced by around 1.5 MW hours a year.

3.5. Culture and tourism (WP9)

EUR 1 137 million was allocated to support of culture and tourism over the period, equivalent to 5% of the funding available. Some EUR 612 million went to tourism, exclusively in the form of non-repayable grants. EUR 525 million went to culture, mainly for the protection and preservation of the cultural heritage.

Core indicators show that by the end of 2014, 1 792 jobs had been created in tourism as a result of the support provided (see Table 6 at the end of this section).

3.6. Urban development and social infrastructure (WP10)

A relatively large share of funding, 10% of the total, some EUR 2 252 million, went to investment in urban development projects and social infrastructure over the period. The Severovýchod region (the North-East) and Severozápad (the North-West) both put a strong focus on urban development. The evaluation carried out under WP10 highlighted the integrated nature of the approach adopted in Severovýchod. In particular, one of the objectives of the OP was to revitalise public spaces in cities through the development and improvement of public infrastructure. This was pursued

¹⁴ The full case study report can be consulted here:

http://ec.europa.eu/regional_policy/sources/docgener/evaluation/pdf/expost2013/wp6_case_study.pdf.

¹⁵ The full case study can be consulted here as separate annex to final report:

http://ec.europa.eu/regional_policy/en/policy/evaluations/ec/2007-2013/#1.



as part of the Integrated Plan for Urban Development (IPUD), which was prepared in consultation with NGOs, universities, Chambers of Commerce and businesses.

Over EUR 1 billion went to investment in social infrastructure, particularly to healthcare facilities (EUR 407 million) and education establishments (EUR 323 million). The aims were to improve the healthcare system in order to increase patient survival rates and increase the provision of lifelong learning in combination with employment services so as to better adapt the work force to business needs.

The evidence of achievements, however, is scarce. The only core indicator reported relates to areas of rehabilitated land which amounted to 147 square km by the end of 2014.

3.7. ETC (WP11)

The Czech Republic was involved in five INTERREG programmes financed under the Cross-border Cooperation strand of the ETC Objective. These were, respectively, with Austria, Slovakia, Germany (in two programmes) and Poland. The ETC-funded programmes are the subject of a separate report.

3.8. Impact on GDP (WP14)

The investment supported by Cohesion and rural development policies in the Czech Republic over the 2007-2013 period is estimated to have increased GDP in 2015, at the end of the programming period, by almost 4% above the level it would have been in the absence of the funding provided¹⁶. It is further estimated that in 2023, long after the programming period has ended, GDP will be almost 3.5% higher as a result of the investment concerned.

3.9. Overview of achievements

Up to the end of 2014, the investment undertaken with the support of the ERDF and Cohesion Fund for the 2007-2013 period is reported to have resulted in the direct creation of 26 900 new jobs (Table 6). In addition to the achievements reported above under the different WPs, support for investment in renewable energy added 226 Megawatts to the overall capacity to produce electricity from renewables.

It should be emphasised that since not all MAs reported all of the core indicators, and in some cases, only a minority, the figures tend to understate achievements, perhaps substantially. In addition, the data reported relate to the situation at the end of 2014, one year before the official end of the period in terms of the expenditure which could be financed, so that they also understate achievements over the programming period because of this.

¹⁶ Estimates by the Quest model, a new-Keynesian dynamic general equilibrium model in kind widely used in economic policy research, developed by DG Economic and Financial Affairs to assess the effects of policies. See The impact of Cohesion Policy 2007-2013: model simulations with Quest III, WP14a, final report, http://ec.europa.eu/regional_policy/sources/docgener/evaluation/pdf/expost2013/wp14a_final_report_en.pdf.

**Table 6 Values of core indicators for ERDF and Cohesion fund co-financed programmes in the Czech Republic for 2007-2013 period, as at end-2014**

Core Indicator Code	Core indicator name	Value up to end-2014
0	Aggregated Jobs	26 911
1	Jobs created	22 485
4	Number of RTD projects	1 423
5	Number of cooperation project enterprises-research institutions	636
6	Research jobs created	3 908
7	Number of direct investment aid projects to SME	8 047
8	Number of start-ups supported	36
9	Jobs created in SME (gross, full time equivalent)	241
14	km of new roads	312
15	km of new TEN roads	111
16	km of reconstructed roads	2 018
18	Km of TEN railroads	294
19	km of reconstructed railroads	369
24	Additional capacity of renewable energy production	226
25	Additional population served by water projects	371 321
26	Additional population served by waste water projects	490 266
29	Area rehabilitated (km ²)	147
35	Number of jobs created in tourism	1 792

Note: The figures in the table are those reported by MAs in Annual Implementation Reports. Core indicators for which no data were reported by the Member State are not included. The aggregate jobs indicator is based on an examination by the Commission of all gross job creation reported for each priority axis and is regarded as the most accurate figure for the total number of gross jobs directly created as a result of funding. It tends to be higher than the sum of the figures reported by MAs for the core indicators relating to jobs created because in many cases MAs fail to report anything for these indicators.

Source: Annual Implementation Reports, 2014 and DG Regional Policy post-processing of these, August 2016

