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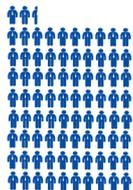
# Benefits of the Structural Funds and the Cohesion Policy for the Czech Republic

## Executive Summary of Evaluation Study

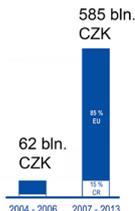
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# Benefits of the Structural Funds and the Cohesion Policy for the Czech Republic



**128 400**  
newly created jobs



**647**  
bn. CZK  
had been disbursed  
since 2013



**> 30%**  
of roads of national  
importance had been  
built and repaired



**1/3** of all newly  
constructed sewage  
treatment plants



**1/3** of product innovations  
was created from 2013  
onwards

**49 000**  
projects were implemented  
since 2013



**38%**  
of jobs originated  
in the area of research  
and development

## Macroeconomic Impact

*The Cohesion Policy has had a significant macroeconomic impact on the economy of the Czech Republic, especially thanks to the EU funds.*

The Cohesion Policy has had a significant macroeconomic impact on the economy of the Czech Republic, especially thanks to the EU funds. By these funds, financial resources are allocated to the projects designed to strengthen competitiveness and to reduce economic and social disparities between the regions, thus helping to fulfil the goals of the Lisbon Strategy and the Strategy Europe 2020.

*Considerable impact on GDP, unemployment and other important macroeconomic indicators*

**indicators** of the Czech Republic, mainly thanks to the leverage effect. The mechanism of the leverage effect can be illustrated on the specific example of transport infrastructure. Firstly, the Euro-

pean funds complemented by the national resources of the Czech Republic (based on the co-financing principle) are employed to build transport infrastructure. The project spending has a direct impact on the gross value added of the Czech construction industry. Even if certain part of potential benefit might outflow abroad as a result of imports of material inputs, labour force or other resources, the growth of the construction sector has a multiplicative effect on other sectors (for example trade and transportation) in the form of higher demand for the goods and rising employment. Moreover, the subsequent stages of the process, i.e. the usage of the infrastructure, produce many other positive synergic effects (such as decline in transportation costs, growth of trade, lower consumer prices, higher labour market flexibility thanks to more comfortable commuting to work, etc.).

Altogether, the amount of 62 bln. CZK was allocated during the first programming period 2004 – 2006. In the 2007 – 2013 programming period, the financial means paid to recipients have reached 585 bln. CZK so far. The spending **has had considerable impact on GDP, unemployment and other important macroeconomic indicators**

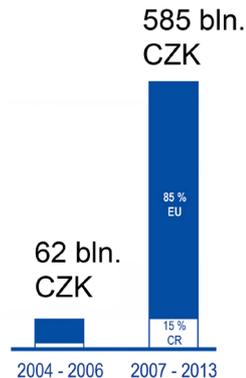
*The growth of the construction sector has a multiplicative*

effect on other sectors (for example trade and transportation) in the form of higher demand for the goods and rising employment. Moreover, the subsequent stages of the process, i.e. the usage of the infrastructure, produce many other positive synergic effects (such as decline in transportation costs, growth of trade, lower consumer prices, higher labour market flexibility thanks to more comfortable commuting to work, etc.).

*Decline in transportation costs and growth*

Another positive impact of the Cohesion Policy implemented in the Czech Republic is the fact that the two programming periods **saw the implementation of many projects that would not be otherwise realized.** This aspect played an important role during the economic downturn as the support

by the Structural Funds became one of instruments mitigating the crisis. Simultaneously, reverse relationship applied as the economic recession closely related to public finance crisis, had a negative impact on potential benefits of the Structural Funds. Reflecting the principle of participation, i.e. the requirement of project co-financing, the decline in availability of financial means at any type of economic entity became a key factor affecting the possibility of implementation of the European funds.



**647 bln. CZK**  
had been disbursed until 2013

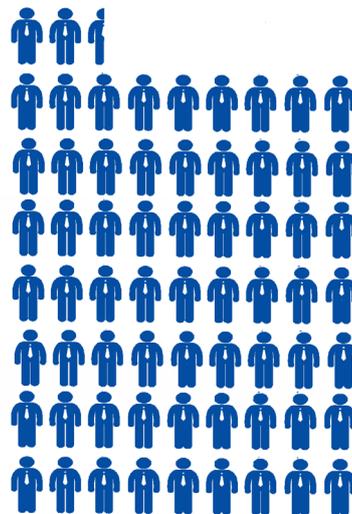
## Employment

*As a cohesion policy tool, European funds contribute to the support of education and employment.*

*Thousands of newly created jobs* On the macroeconomic level, together with GDP, employment was also supported by the creation of new jobs. During 2004 – 2006, **almost 46,000 jobs were created while in the following period 2007 – 2013**, the number reached **82,400 with vacancies created especially under the Operational Programme Human Resources and Employment (OP HRE) and OP Enterprise and Innovation (OPEI)**. Out of the total, more than 75,000 of jobs were created as a direct result of the project, while the remaining over 7,000 jobs came out as a side effect of the Cohesion Policy. By the possibility to draw the European funds resources, the job creation was also supported indirectly through increased government and private investment and enhanced by the GDP multiplier described above.

*Community services development*

When evaluating **community services** as a special type of employment, the **effect of the EU funds is even more profound** - during 2008-2012 approximately 50% of all workers at this type of job were employed thanks to the Cohesion Policy.



**824 000**

newly created jobs

## Entrepreneurship and Innovation

*Improvement of the business environment is one of the key contributions of the cohesion policy directly influencing the economic development in the Czech Republic.*

*Structural funds co-financed projects that helped to improve the business environment*

Entrepreneurship and innovation are driving forces of the Czech economic development as they contribute both to economic growth and its increase as well as to the improvement of international competitiveness. In the period of 2004 – 2013, the **Structural Funds helped to finance projects, which were aimed at improvement of business**

**environment and simplification of administration processes** (such as projects of data boxes, creation of basic registers and their connection to the central registry, establishment of the Czech Points network and e-government).

*Establishment and extension of thousands of enterprises*

Another target of the Cohesion Policy in the field of entrepreneurship and innovation was promotion of the competitiveness and innovative potential of individual companies (supporting startups and co-financing projects enhancing competitiveness and

implementing innovation). During 2007-2012, **establishment of 182 new businesses and extension of 4,273 enterprises** were supported; according to the data of MIT, **569 subordinated and interest-free debts** were provided in the SMEs sector between 2007-2013. In the area of innovations, the projects supported by the Structural Funds focused mainly on product innovation; under these projects nearly **one-third of all product innovations** in the Czech Republic were supported.



**1/3**

of all product innovations  
was created from 2013 onwards

## Research & Development

*Progress in research & development (R&D) is another necessary condition for a competitive economy and economic growth.*

*One third of all clusters in the Czech Republic was supported by the EU funds*

Progress in research & development (R&D) is another necessary condition for a competitive economy and economic growth. In the long term, the main problems of R&D sector in the Czech Republic constitute human resources and R&D infrastructure (such as

technology transfers, cooperation of the private and public sector, research centres, business and university sector etc.). To address major obstacles in the R&D field, European funds were used to e.g. establish clusters – until 2013 approximately **one third of all clusters in the Czech Republic were supported by the resources of the EU funds**. Further on, 8 centres of excellence and 40 regional research and development centres are being established in order to facilitate technology transfers. The support of pre-seed activities, for the first time from the public funds, has also been very important in the observed period. On the other hand, a seed-fund is yet to be established.

*38% out of all newly created jobs in Research and Development*

As a reaction to the lack of human resources in the R&D sector, the European funds were used to support the creation of new jobs in this sector. The combined value of new job vacancies in R&D sector through all

OPs in the programming period 2007 – 2013 exceeded **6,300, i.e. 38% out of all newly created jobs in R&D**; the number of new specific research job vacancies then exceeded **1,800, i.e. 20% of all research jobs** created in the given period.



# 38%

of jobs originated in the area of R&D

## Infrastructure

*Quality infrastructure is the key factor in the development of the Czech Republic. European funds help to eliminate the barriers in transportation.*

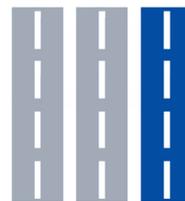
### *Time savings in transportation thanks to the EU funds*

One of the key priorities leading to strengthened of the competitiveness of the Czech economy is a good quality transport infrastructure, which eliminates trade barriers, has a positive impact on the environment, decreases the time demand of personal transport and indirectly also increases the flexibility of the labour market. This is the reason why this field was supported by the Cohesion Policy as well. **The resources from the Structural Funds represented a significant share in funding the transport infrastructure of national importance** (in 2009 - 2011 **over 30%**), which is financed through the State Fund for Transport Infrastructure. Without these funds, the transport infrastructure would be seriously underfinanced as plenty of transportation projects would not be realized and available financial resources would cover only the most necessary repairs and maintenance.

Throughout their implementation, the OP Transport (OPT) together with the regional operational programs and the OP Prague

### *Hundreds of newly built and reconstructed*

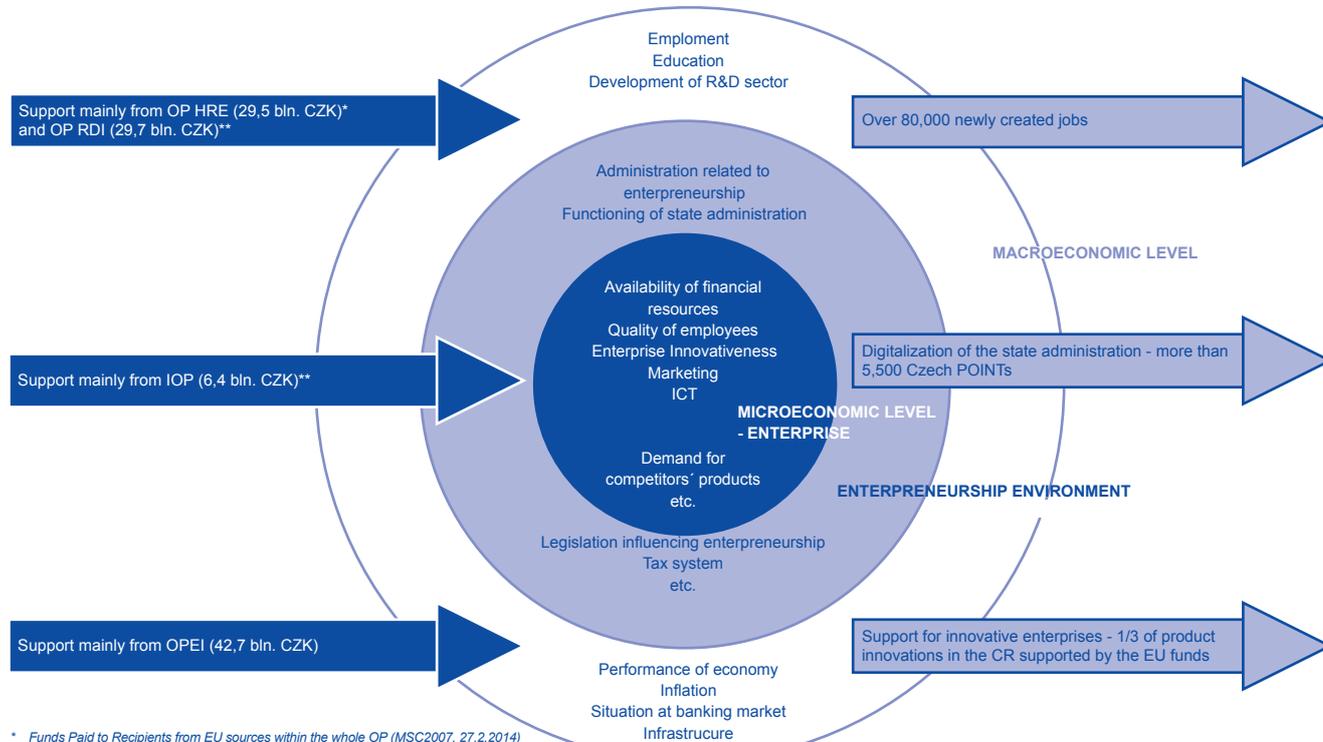
– Competitiveness significantly contributed to the development of regional and national transport infrastructure. Altogether, **the recipients were paid the amount of 193 bln. CZK for transportation infrastructure projects, mainly from the EU resources.** The financing enabled to build for example 236,4 km of roads of the state importance, reconstruction of 301 km of railway tracks and **extension of the length of electrified railway tracks by 30 km.** In addition, projects in railway and road transport led to **time savings with estimated benefit of 3,1 bln. CZK per year.**



**>30%**

of roads of national importance had been built and repaired

**Table 1: Selected benefits of the Cohesion Policy in the field of entrepreneurship, innovation, R&D and employment.**



\* Funds Paid to Recipients from EU sources within the whole OP (MSC2007, 27.2.2014)

\*\* Funds paid to Recipients from EU sources within IOP, priority axes 1 and 2 (MSC2007, 27.2.2014)

\*\*\* Funds paid to Recipients from EU sources within OPEI without priority axis 3 (MSC2007, 27.2.2014)

## Energy Sector

*Increased use of renewable energy sources is another important instrument of the cohesion policy, which helps to protect the environment.*

### *Decreased energy consumption*

In the energy sector, the European funds supported reduction in energy intensity in private as well as in the public sector and deployment of higher level of renewable energy sources (RES). This measure is consistent with the general trend observed in energy sector – a gradual increase in the use of RES in heat and power production, supported (in addition to possibility to use the European funds) by other instruments (support of green power purchase prices, etc.). The increased use of RES positively contributes to reduction of emissions, fulfilment of commitments towards the EU, optimization of fuel mix and job creation.

### *Increased renewable energy sources*

Under the Operational programme Environment (OPE), more than 3,000 projects with the aim to increase energy efficiency or RES deployment were supported by more than 12,2 bln. CZK from the EU sources. Most funds flowed into the projects increasing energy efficiency - insulation of public buildings, etc. (96%), least funds to projects using biomass as re-

newable energy source (1.1%). Under the OPEI recipients of more than 1,300 projects received CZK 5.9 bn from the European sources. The largest proportion was used to increase energy efficiency, followed by the construction of small water power plants. As a result of putting these projects to life, **the energy consumption decreased by 3 million GJ a year and the installed capacities of renewables increased by 200 MW.** For comparison, the total RES installed power capacity in the Czech Republic reached 5.5 GWe as of July 1, 2013. Nevertheless photovoltaic resources represented almost 40% of this capacity.



**3 mil. GJ/year**  
decrease of energy consumption

## Environment

*European funds significantly improve the environment by not only increasing the quality of water and air, but also removing old environmental burdens.*

*94 newly built waste water treatment plants*

Let us mention **94 constructed waste water treatment plants (WWTP)** out of the total 301 WWTP built during 2007-2013 period, **111 thousands of citizens newly con-**

**ected to suitable WWTP**, contribution in the amount of **CZK 1.1 bn paid by the EU for floods protection**, or **CZK 2.3 bn for projects related to removal of old environmental burdens**. Those are just some of the benefits of the EU funds in the field of environment. At the same time, the sources provided by the EU funds for such projects (and similarly for projects aimed at measures protecting against floods) represented important saving factor for the state budget.



**1/3** of all newly constructed sewage treatment plants

**Table 2: Selected projects in the area of environment**

EU contribution to given area*	Area	EU contribution to given project	Selected project
21.3 bln. CZK	Reducing water pollution	308 mil. CZK	„ <b>CLEAN BEROUNKA - STAGE II., PROJECT D</b> “ - group project to build sewage systems and clean wastewater and to improve supply of drinking water according to the requirements of EU directives and Czech legislation
1.1 bln. CZK	Reduction in floods risk	113 mil. CZK	<b>3 MP – Modernization of the system Measurement, Modelling and Forecasting of Floods Service of the Czech Republic</b> – development of key forecasting applications of CHMI
2.7 bln. CZK	Improving air quality and reducing emissions	32 mil. CZK	<b>Reducing NOx emissions of the Vřesová heating plant by installation of low-emission burners K3 and K4 on boilers</b>
2.3 bln. CZK	Removing old environmental burdens	468 mil. CZK	<b>Remediation and restoration of old environmental burden of the state enterprise DIAMO in Mydlovary</b> – revitalization of 47 ha, elimination of threats for surrounding water quality

\* According to the amount of Funds Paid to Recipients

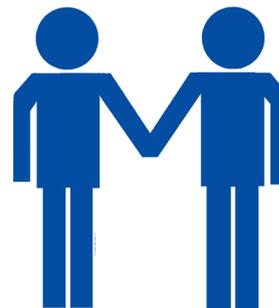
## Social Integration

*European funds as an instrument of the social cohesion policy help to support socially disadvantaged persons*

*Systematic support for social integration in Roma localities and education of the social workers*

The total sum allocated for social integration and equal opportunities increased between both programming periods. While in the period 2004-2006, the programme focused on increase in the capacity of social services (in addition to the integration of specific population groups threatened by the social exclusion and support of equal opportunities for men and women), in the subsequent programming period **another emphasis was added - the support of social integration of Roma localities**. Besides, the stress was laid on **training the workers**.

More than 900 service providers supporting social integration received payment from the EU funds in 2007 - 2013. The biggest beneficiaries were the regional authorities. Compared to the previous period, when one of the most important roles was played by the Ministry of Labour and Social Affairs, the effort to move a larger part of the responsibility to regional actors who know the needs of their people best was successful. Out of the NGOs the largest support was received by the organization People in Need.



**> 900**

service providers  
supported until 2013

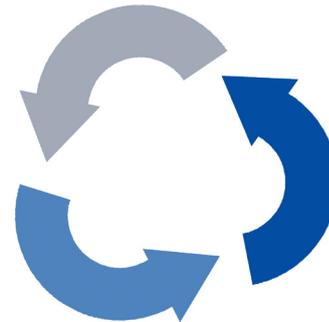
## Synergies

*The synergic effect creates multiplication of the positive impact of the european funds and other economic instruments.*

*Synergies arise due to the cross-cutting nature of projects and create potential for cooperation*

The system of support is created by the network of priority topics in the operational programmes. Particular projects are, however, usually of a cross-cutting nature, thereby leading to synergies, either vertical or horizontal. Vertical synergy occurs within a single operational programme so that individual measures are set and used by for in-

stance the business community. Horizontal synergy occurs among several operational programmes in the form of consequently prepared and related projects. Many of these effects can be found, for example, between the OP Research and Development for Innovations (OP RDI) and the OPEI. Similarly, it may hold for Regional operational programs (ROPs) and OPT (building of local and state roads), ROPs and OPE (clean urban transport, reduction of pollutants emissions), the OPE and OPEI (construction of installations using renewable energy sources and the reduction of air pollution), ROPs and OPE (area landscaping) etc.



cooperation between programmes and projects

**Table 3: Benefits of the Structural Funds and the Cohesion Policy for the Czech Republic - Summary**

Programming period	2004–2006	2007–2013*
<b>Number of projects</b>	13 000	49 000
<b>Employment</b>	46 000 newly created jobs	82 400 newly created jobs
<b>Entrepreneurship and Innovation</b>	182 newly established and 4 273 supported enterprises	
	1/3 of all products innovations created by EU funds	
<b>Research and Development</b>	38% out of all newly created jobs originated in the area of research and development	
	1/3 of all clusters were supported by EU funds	
<b>Infrastructure</b>	more than 30% of roads of national importance had been built and repaired	
	1412 km of roads had been reconstructed 236,4 km of roads of national importance had been built	
	time savings with estimated benefit of 3,1 bln. CZK per year	
<b>Energy Sector and Environment</b>	1/3 of all newly constructed sewage treatment plants	
	the energy consumption decreased by 3 million GJ a year	

\* data as of March 2014. Drawing of EU funds within the programming period continues

## Project examples for individual areas



### Enterprise and Innovation

**Purchase of technology for the production of wood trusses**

OP Enterprise and Innovation

EU Funds contribution: 14 025 000 CZK

The aim of the project is the purchase of technological equipment for the production of wood trusses by Gang-Nail and MKD system (the company is the sole manufacturer of MKD trusses in the Central and Eastern Europe), press unit MARK VII (or similar), laser projection and special loading and haulage equipment for increase in production to the neighboring countries of Eastern Europe. Creation of new jobs is also part of the project.



### Research and Development

**R&D laboratory for sensors and integrated sensor networks**

OP Enterprise and Innovation

EU Funds contribution: 9 359 000 CZK

Extension and improvement of R & D capacities enabling the company to intensify cooperation with universities and the Academy of Science of the Czech Republic to create new skilled jobs and provide conditions for public involvement in national and European R & D programmes, thereby increasing the competitiveness. For the company, the project represents a significant progress in expanding the production to the sophisticated category of products, the technical level of which reflects the current score of technology in the world. The implemented project is very beneficial not just for the company but also for the entire electro technical industry in the Czech Re-



### Infrastructure

**Electrification of the railway including the associated adjustments, 1. construction: Letohrad (excl.) – Lichkov**

OP Transport

EU Funds contribution: 1 275 456 665 CZK

The reconstructed segment in the length of 22 376 km allowed for increased speed of 60-70 km/h at 75-90 km/h. The project included the renovation of four platforms, reconstruction of bridge objects, construction of a barrier-free access and safety equipment, slope stabilization, noise barriers, etc.

## Project examples for individual areas



### Energetics

#### Reconstruction of small hydroelectric power plant at the town of Mířejovice

OP Enterprise and Innovation  
EU Funds contribution: 118 403 300 CZK

The project included a general reconstruction of small hydroelectric power plant in the district of Melník. The plant is part of a lock chamber on the River Vltava and its power is 3.57 MW. The reconstruction took place as a part of the measure Energy Saving and Renewable Energy Sources between 2009-2012.



### Social Integration

#### Housing for mothers / fathers with children in need in the town of Štenberk - Dalov

ROP NUTS II Central Moravia  
EU Funds contribution: 18 687 817 CZK

Asylum House is a social service provided in accordance with Section 22 of Act No. 108/2006 Coll. on Social Services. The main objective of the shelter is to improve the living conditions of mothers (or fathers) with children and pregnant women in difficult life situation and to enable their integration into mainstream society.



### Environment

#### Fish migration route at Hýskov

OP Environment  
EU Funds contribution: 7 603 236 CZK

The project is focused on building a fish passage on the watercourse of the River Berounka, weir Hýskov, on the 39.554 river km with a gradual transition to the inclined slopes with a basic width of 5 m and the overall length of 35.7 m with a 1.3 difference of the surface. The designed flow through the fish passage is 0.8 m<sup>3</sup> /s. The total flow through the fish passage is 1.8 m<sup>3</sup> /s.

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March 2014

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*More information is available online on:*

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