

**NATIONAL STRATEGIC REFERENCE FRAMEWORK  
OF THE CZECH REPUBLIC  
2007-2013**

**July 2007**



**CONTENT:**

<b>INTRODUCTION:PREPARATIONOFTHEDOCUMENTANDAPPLI CATIONOFTHEPARTNERSHIP PRINCIPLE.....</b>	<b>3</b>
<b>1.THECZECHREPUBLIC'SPOSITIONWITHINTHEEUROPEA NUNION .....</b>	<b>5</b>
<b>2.DEVELOPMENTOFTHECRECONOMYWITHINTHEEUCONT EXT .....</b>	<b>5</b>
<b>2.1. ECONOMICPERFORMANCE .....</b>	<b>5</b>
<b>3.SOCIO-ECONOMICANALYSIS.....</b>	<b>7</b>
<b>3.1. ENTERPRISE,RESEARCH ,DEVELOPMENTANDINNOVATION .....</b>	<b>7</b>
<b>3.2. HUMANRESOURCESDEVELOPMENTANDTHELABOURMARKETSIT UATION,THE INFORMATION SOCIETY .....</b>	<b>9</b>
<b>3.3. TRANSPORT ACCESSIBILITY .....</b>	<b>15</b>
<b>3.4. ENVIRONMENT.....</b>	<b>17</b>
<b>3.5. TOURISMAND CULTURE.....</b>	<b>21</b>
<b>3.6. PUBLICADMINISTRATION .....</b>	<b>22</b>
<b>4.REGIONALDEVELOPMENT.....</b>	<b>24</b>
<b>4.1. STRUCTUREOFSETTLEMENTSANDPROBLEMSOFURBANDEVEL OPMENT .....</b>	<b>24</b>
<b>4.2. SUMMARYOFTHECAUSESUNDERLYINGTHEMAJORREGIONAL DISPARITIES.....</b>	<b>27</b>
<b>4.3 SUMMARYOFREGIONALDISPARITIESANDCLASSIFICATIONO FTHEREGIONS .....</b>	<b>27</b>
<b>5.SWOTANALYSIS .....</b>	<b>29</b>
<b>STRENGTHS.....</b>	<b>29</b>
<b>WEAKNESSES.....</b>	<b>29</b>
<b>OPPORTUNITIES.....</b>	<b>30</b>
<b>THREATS.....</b>	<b>31</b>
<b>6.ASSESSMENTOFTHEIMPACTSOFIGIMPLEMENTATIONOFT HEPROGRAMMES2004-2006 .....</b>	<b>33</b>
<b>7.STRATEGYFORTHE2007–2013PERIOD.....</b>	<b>36</b>
<b>7.1. STARTINGPOINTSFORSHAPINGTHESTRATEGY .....</b>	<b>36</b>
<b>7.2. THE STRATEGY .....</b>	<b>38</b>
<b>STRATEGICOBJECTIVE I: COMPETITIVE CZECH ECONOMY .....</b>	<b>42</b>
<b>STRATEGICOBJECTIVE II: OPEN, FLEXIBLEAND COHESIVE SOCIETY.....</b>	<b>47</b>
<b>STRATEGICOBJECTIVE III: ATTRACTIVE ENVIRONMENT.....</b>	<b>58</b>
<b>STRATEGICOBJECTIVE IV: BALANCED DEVELOPMENTOF TERRITORY .....</b>	<b>63</b>
<b>8.OPERATIONALPROGRAMMES .....</b>	<b>78</b>
<b>CONVERGENCE OBJECTIVE .....</b>	<b>78</b>
<b>8.1. OPERATIONAL PROGRAMME ENTERPRISEAND INNOVATION .....</b>	<b>78</b>
<b>8.2. OPERATIONAL PROGRAMME RESEARCHAND DEVELOPMENTFOR INNOVATIONS .....</b>	<b>78</b>
<b>8.3. OPERATIONAL PROGRAMME HUMAN RESOURCESAND EMPLOYMENT .....</b>	<b>79</b>
<b>8.4. OPERATIONAL PROGRAMME EDUCATIONFOR COMPETITIVENESS.....</b>	<b>79</b>
<b>8.5. OPERATIONAL PROGRAMME ENVIRONMENT.....</b>	<b>80</b>
<b>8.6. OPERATIONAL PROGRAMME TRANSPORT.....</b>	<b>81</b>
<b>8.7. INTEGRATED OPERATIONAL PROGRAMME.....</b>	<b>81</b>
<b>8.8. REGIONAL OPERATIONAL PROGRAMMES.....</b>	<b>82</b>
<b>8.9. OPERATIONAL PROGRAMME TECHNICAL ASSISTANCE.....</b>	<b>83</b>
<b>REGIONAL COMPETITIVENESSAND EMPLOYMENT OBJECTIVE .....</b>	<b>84</b>
<b>8.10. OPERATIONAL PROGRAMME PRAGUE–C OMPETITIVENESS .....</b>	<b>84</b>
<b>8.11. OPERATIONAL PROGRAMME PRAGUE–A DAPTABILITY .....</b>	<b>84</b>
<b>EUROPEAN TERRITORIAL CO-OPERATION OBJECTIVE .....</b>	<b>84</b>
<b>8.12. OPERATIONAL PROGRAMME CZECH REPUBLIC -THE INDEPENDENT STATEOF BAVARIA 2007-2013 .....</b>	<b>85</b>
<b>8.13. OPERATIONAL PROGRAMMETHE INDEPENDENT STATEOF SAXONY -THE CZECH REPUBLIC 2007-2013 .....</b>	<b>85</b>
<b>8.14. OPERATIONAL PROGRAMME AUSTRIA –THE CZECH REPUBLIC 2007-2013 .....</b>	<b>85</b>

8.15. OPERATIONAL PROGRAMMETHE SLOVAK REPUBLIC -THE CZECH REPUBLIC 2007-2013.....	85
8.16. OPERATIONAL PROGRAMMETHE CZECH REPUBLIC - POLAND 2007-2013.....	86
8.17. OPERATIONAL PROGRAMME TRANS-NATIONAL CO-OPERATION.....	86
8.18. OPERATIONAL PROGRAMME INTERREGIONAL CO-OPERATION.....	86
8.19. SETTINGOFTECHNICALINTERFACESOF OPS.....	87
<b>9.FOCUSOFTHEECONOMICANDSOCIALCOHESIONPOLICY ANDITSLINKTOTHERURAL DEVELOPMENTANDFISHERIESPOLICY .....</b>	<b>94</b>
9.1 RURAL DEVELOPMENT POLICY .....	94
9.2 ACTIVITIESOFTHE EUROPEAN FISHERIES FUND.....	96
9.3. CO-ORDINATIONANDCO -OPERATIONOF MANAGING AUTHORITIES.....	97
<b>10.MACROECONOMICMODEL.....</b>	<b>98</b>
<b>11.MANAGEMENTANDCOORDINATIONOFTHEECONOMICAND SOCIALCOHESIONPOLICY. 100</b>	
11.1. CO-ORDINATINGINSTITUTIONS .....	100
11.2. CO-ORDINATIONMECHANISMS .....	100
11.3. THETASKSOFTHEINSTITUTIONS .....	102
11.4. MONITORINGANDDATAEXCHANGE .....	105
11.5. ADMINISTRATIVECAPACITY 2007-2013 .....	106
11.6. MANAGEMENTOFOPERATIONALPROGRAMMES .....	108
<b>12.SYSTEMOFFINANCIALFLOWSOFFSTRUCTURALFUNDSA NDTHECOHESIONFUND.....</b>	<b>110</b>
<b>13.ADDITIONALITYFORCONVERGENCEOBJECTIVEINTHE PERIODOF2007-2013 .....</b>	<b>111</b>
<b>14.EX-ANTEEVALUATIONOFNSRF .....</b>	<b>115</b>
<b>15.ASSESSINGTHEIMPACTOFTHENSRFONTHEENVIRON MENT .....</b>	<b>128</b>
15.1. PROCESSAND OUTCOMESOFTHE ASSESSMENT .....	129
15.2. PARTICIPATIONOFTHE PUBLICIN SEA .....	129
15.3. CONCLUSIONSOFTHE NDP/NSRF SEA.....	130
<b>ANNEX.....</b>	<b>131</b>
<b>LISTOFACRONYMS.....</b>	<b>147</b>

## INTRODUCTION: PREPARATION OF THE DOCUMENT AND APPLICATION OF THE PARTNERSHIP PRINCIPLE

The National Strategic Reference Framework (NSRF) for 2007-2013 was drafted while respecting the principle of partnership in line with the Article 11 of the Council Regulation No. 1083/2006, laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No. 1260/1999 (hereinafter "General Regulation").

The Ministry for Regional Development (MRD) ensured the overall co-ordination of the preparation for the programming period of 2007-2013, including the preparation of the National Development Plan (NDP) and the NSRF. During this process, the attention was paid to ensure a functional partnership as one of the key preconditions for efficient use of the EU Structural Funds (SF) and the Cohesion Fund (CF). The Management and Co-ordination Committee (MCC) became the most important instrument of the co-ordination through which all relevant stakeholders are involved in the preparation for implementation of the SF and the CF. The Minister for Regional Development chairs the Committee, other members include representatives of relevant ministries, territorial self-government (represented by regions, including the Capital City of Prague and representatives of the Union of Towns and Municipalities), economic and social partners, educational institutions and the non-profit sector. The meetings of the MCC are regularly attended by representatives of the Union of Czech and Moravian Production Co-operatives, the Agrarian Chamber of the CR and the Academy of Sciences of the CR as observers. Particular institutions nominated their representatives at a high enough level so that the MCC is able to adopt important decisions. Between May 2005 and April 2007 the MCC met nineteen times.

Nominated representatives of partner organizations were actively involved in the preparation of strategic documents for the 2007-2013 programming period, mainly by commenting on the submitted versions of strategic and programming documents. The comments were presented at the meetings of the working groups. The comments were then incorporated into the relevant documents, subject to the final approval of the MCC.

The partners also took part in the final commenting procedure. One of their main comments was requirement for the representation of social partners in newly created management and co-ordination structures for the economic and social cohesion policy, since such approach has proved to be of benefit in the past period. The partners are supposed to participate in the Monitoring committees and Working groups dealing with solution of individual questions of implementation. The partners also proposed a requirement for a better interconnection of document analysis and strategy. Other comments concerned formal or formulation aspects (complementation of SWOT analysis, utilisation of up-dated data, better formulation of objectives). All comments were accepted and incorporated in the document. Further discussion with managing authorities was recommended for all comments going beyond the scope of the NSRF and concerning operational programmes in a more specific way.

Co-operation with non-governmental non-profit organizations proved very satisfactory. Within the project of Technical Assistance of the Community Support Framework "Opponency and the recommendations for the draft NDP and the NSRF 2007-2013 implemented by the non-profit sector and information campaign for the non-profit sector" carried out by the Centre for Community Work, non-governmental non-profit organizations commented on strategic documents. The project also included workshops, round tables, seminars and working meetings of stakeholders carried out in individual regions of the CR.

On 16 January 2006 a public debate was held on the NSRF took place on 27 November 2006. These documents are available on the website of the Structural Funds and the Cohesion Fund ([www.strukturalni-fondy.cz](http://www.strukturalni-fondy.cz)) or on other websites of partner organizations.

The selection criteria for projects will also be based on the consultations with economic and social partners. There are seminars and trainings organised for applicants with partners, operational programmes are introduced with the help of the partners to the general public and information is also published on web portals of NGOs.

The partners include representatives of NGOs, the Chamber of Commerce, the Czech Statistical Office, the Agrarian Chamber, the Union of Towns and Municipalities, the Union of Co-operatives, the Confederation of Industry and Transport, the Czech-Moravian Chamber of Trade Unions, the Confederation of Employers' and Entrepreneurs' Associations, the Czech Rectors' Conference, the Government Council for NGOs, the Government Council for Research and Development, the Government Council for Human Resource Development (the last two institutions were newly incorporated into the structure of the MoEYS).

## 1. THE CZECH REPUBLIC'S POSITION WITHIN THE EUROPEAN UNION

Within the European Union, the CR with its population of ten million ranks among the medium-sized countries (see Table 1 in the Annex), taking up a position of geographic, economic and political importance<sup>1</sup>. The country's industry, transport, and settlement have an essential bearing upon the environment of a number of other European states, and its transport network is of immediate importance to the economic link of central European countries and their competitiveness in the development of large industrial and innovation orientated clusters.

*The CR within EU*

Following 1989 the CR has undergone significant political, economic and social changes, culminating by the accession to the European Union on 1 May 2004. The active involvement of the CR in the European area has accelerated the its economic growth. The CR has embarked on a path of convergence towards the more advanced countries of the world; in 2005 the CR's World Bank status was upgraded from a developing to that of a developed country. In spite of these successes, the CR has been facing a number of serious problems which threaten its competitiveness and social cohesion in the long term as well as its capacity to fully deploy its human resources and economic potential. The solution of these problems is being addressed by a number of systematic steps taken by the Czech Government, particularly those included in the "Convergence Programme"<sup>2</sup>, in the "National Reform Programme"<sup>3</sup> (National Lisbon Programme 2005 - 2008, NRP) and in the "National Development Plan for the 2007-2013 period"<sup>4</sup> (February 2006).

*Barriers of competitiveness*

Part B of the Annex provides a description of the links between the NSRF strategic objectives and NRP measures.

*Links to the NRP*

## 2. DEVELOPMENT OF THE CZECH ECONOMY WITHIN THE EU CONTEXT

### 2.1. Economic performance

An updated analysis of CR's economic development within the EU and world economy is contained in the Convergence Programme of the CR. This is what NSRF fully relies on, merely highlighting several aspects of importance.

*Czech economy*

The CR belongs to the group of EU countries facing a lower economic performance in terms of GDP per capita in Purchasing Power Standard (see Diagram 1 in the Annex), which however keeps increasing gradually (see Table 2 in the Annex). The Czech economy is a highly open economy characterized by a pronounced orientation toward foreign trade with the EU member states. The balance of trade has been improving gradually since 2002, the growth of the country's export performance continues to derive to a high degree from the performance of corporate entities held by foreign investors, yet to be bolstered up sufficiently by the small and medium-sized enterprises.

*Structure of the economy*

<sup>1</sup> Czech Republic borders on Poland (761.8km), Germany (810.3km), Austria (466.3km) and Slovakia (251.8km).

<sup>2</sup> Convergence Programme of the Czech Republic (an updated version) - March 2007, [http://www.mfcr.cz/cps/rde/xchg/mfcr/hs.xsl/conv\\_program.html](http://www.mfcr.cz/cps/rde/xchg/mfcr/hs.xsl/conv_program.html)

<sup>3</sup> [http://www.mfcr.cz/cps/rde/xbcr/mfcr/NPR\\_CZ\\_102005\\_.pdf.pdf](http://www.mfcr.cz/cps/rde/xbcr/mfcr/NPR_CZ_102005_.pdf.pdf)

<sup>4</sup> [http://www.strukturalni-fondy.cz/uploads/old/11411\\_22325.materi-l-nrp---iii.-nrp-upraveny---str-113-a-124.pdf](http://www.strukturalni-fondy.cz/uploads/old/11411_22325.materi-l-nrp---iii.-nrp-upraveny---str-113-a-124.pdf)

The strong influx of foreign direct investments during the last seven years has substantially altered the character of the Czech economy and boosted its competitiveness. Future threats may derive from relocations of some of the foreign investors' facilities away from the CR due to their low-cost strategies; this would bring serious social consequences. Also, the appreciation of Czech currency imposes strong demands on the competitiveness of precisely those industries with low labour productivity, low-cost strategies and those that make use of predominantly domestic resources. For the sustainable growth, it is necessary to change the current strategy and to target on the strengthening of competitiveness and its resources.

*FDI, SME's,  
export  
potential*

Some of the positive factors that strongly impact the dynamics of the Czech economy are, or probably will be:

*Challenges*

- the synergy effect of the implementation of the NRPA and NDP as well as of the other plans pursued by the Government, utilization of the European funds, impacts of modernisation in the area of infrastructure, upgrading the levels of knowledge and skills of the Czech population, improving their employability and the number of years of useful activity, boosting the effectiveness of the institutional structures and modernisation of both public administration and corporate management,
- adoption of the Euro - this may provoke certain problems in the short-term but in the long-term it will create conditions conducive to a more profound and complete economic integration of the CR into the Eurozone and an intensification of a mutual cooperation among economic subjects, it will eliminate the costs of currency exchange and will enable problem-free transmissions of price information and will strengthen fiscal and nominal monetary discipline,
- the country's level of prices and wage costs which have been lower so far in comparison to the advanced countries of the EU; this advantage however will continue to erode due to economic growth, growth of wealth and prosperity and progressive market liberalization, and will have to be replaced by cultivating those factors which boost competitiveness in the long term.

The persistent negative factors affecting the dynamics of Czech economy include, above all:

*Barriers*

- poor law enforcement and insufficiently developed institutional structures acting in support of modern entrepreneurship in the global context,
- lack of harmony between the employers' needs, the labour skills available and the range of education and training offered by educational institutions,
- insufficiently developed innovative processes impacting on the competitiveness of businesses,
- poor efficiency of public administration,
- regional disparities and a gradual worsening of the development potential in certain regions,
- lack of adequate transport and other infrastructure networks,
- lack of using alternative financial resources during establishment and

start-up of entrepreneurial activities.

Long-term sustainability of public finance is an essential problem, which strongly affects the CR's capacity to implement its long-term reform plans and measures in support of meeting the objectives of the Lisbon process. This problem has been addressed in detail in the analysis presented in the Convergence Programme, and it should be pointed out that precisely in the forthcoming programming period it will exercise a strong impact on the capability to finance the required national programmes in full.

### 3. SOCIO-ECONOMIC ANALYSIS

#### 3.1. Enterprise, research, development and innovation

##### 3.1.1. Enterprise

The business environment has gone through fundamental changes since 1989. The privatisation process has practically come to an end and a market-determined restructuring of the entire business sphere has been ongoing. In spite of this there is great difference in labour productivity between the Czech economy and those of the most developed countries (*see Diagram 2 in the Annex*). The structure of the Czech economy has been shaped in a decisive fashion by the influx of foreign direct investments (*see Table 3 in the Annex*) in the industrial sphere (engineering – automotive, electronics and electrical industry, chemistry) as well as in services (above all, telecommunications and finance). The share of companies under foreign control on GDP has reached 37.7% in 2005 and has been of decisive importance in the increase of labour productivity in the commercial sphere.

*Entrepreneurial environment and the fields of business*

In the Czech economy, small and medium-sized enterprises (SMEs) play an important role. Based on December 2004 data these enterprises amount to 99.85% of all business subjects operating in the CR, employing 61.5% of all employees. In 2004 they generated 35% of the GDP and shared in 50.5% of all the investments in the CR and 34.3% of the overall volume of goods and services exported<sup>5</sup>. Symptoms of a dual economy emerge in the CR with its weaker side of small and SMEs under the control of local subjects lagging behind; this proves so that these enterprises experience a poor level of innovation, take a low share of revenues in the domestic market, show poor rates of success in foreign markets and have links of insufficient connectivity with foreign companies both within the CR and in international networks. Where a dual economy exists, the economy tends to be propelled by its major corporations, which are often under foreign ownership. In the case of small companies, this is a significant threat for the future, which is being overcome very slowly.

*Role of SMEs*

Development of entrepreneurial activities (*see Table 4 in the Annex*) has been weakened by insufficient cooperation between the entrepreneurial sector and the educational and research institutions, inadequate support of the development of applied research and related infrastructure, weak support of the development of technology transfers as well as the development of the companies' own technologies, an insufficient level of knowledge relating to modern corporate management and company operation, lack of flexibility and problems with qualification of labour force due to the insufficient linkage of the educational system with the demands of the labour market.

*Problems of the innovation process*

<sup>5</sup>Report on SME trends and on support to SMEs in 2004.

A new stimulus toward strengthening the competitiveness of SMEs has been the establishment of so-called Technology Innovation Centres. Besides offering specialised jobs to skilled and premium skilled employees, they enable penetration of the most advanced technologies and soft types of innovations into the CR, as well as the provision of highly specialised services including advisory not just to foreign but also to Czech subjects.

*Innovation  
and SME's*

During the course of 2005 and 2006 there has been a significant improvement of the legislative and institutional prerequisites to business activity. Nonetheless, the overall index characterising the CR's conditions for conducting business continues to be markedly below the EU average (see Diagram 3 in the Annex).

### 3.1.2. Research and development and innovation

A significant characteristic of the situation in the area of research and development (R&D) in the CR is the relatively low overall share of expenditure on research and development on the total amount of GDP. The research and development related expenditure of the EU advanced countries amounts to 2-3% of the GDP, whereas those of the CR totalled ca. 1.42% of the GDP in 2005.

*R&D  
expenditure*

The general situation is made evident by the CR's position on the overall innovativeness scoreboard<sup>6</sup> (see Diagram 4 in the Annex). The CR, having a Summary Innovation Index of 0.26, is lacking behind significantly in comparison with the EU-25 average (0.42).

*Comparison  
with the  
world*

The involvement of the domestic private resources is insufficient and the factor which has a particularly negative impact is the low share of foreign resources in R&D funding, which reached nearly 4 % in 2005, i.e. one half of the EU-25 average. One of the main causes is posed by the restructuring of industry which remains incomplete. Owing to the notable concentration of research capacities in Prague, where most public sector R&D expenditure have been channelled to (see Table 5 in the Annex), while the competitiveness and employment in a number of regions is weakened by their excessive remoteness from the research and development capacities.

*R&D  
capacity in  
Prague*

The situation of the R&D capacities, including the research infrastructure as well as human capital and its motivation, results in a negative effect. The CR, as well as many other countries, is threatened by so-called "brain drain" in the area of research. A systemic linkage of universities and academic institutions to the business sphere is lacking in the "high-tech" area, true centres of excellence are in short supply that would make use of both the academic and the business capacities to advance technological research with its high growth potential.

*Situation of  
the R&D  
capacity*

Also, domestic firms mostly lack the necessary access to an adequate level of information in respect of the quality of the scientific institutions. The reasons primarily include insufficient motivation towards patents and the pursuance of results which apply themselves to patent protection and of other results which are exercisable in praxis, with regard to the frequently encountered lack of interest in innovation and especially in implementing demanding technologies on the part of the business community, also the low level of support provided to innovative business activities (absence of venture capital and other sophisticated financial instruments of entrepreneurship support), insufficient managerial skills and

*Innovation  
tools*

<sup>6</sup> According to so-called Summary Innovation Index, incorporating 17 indicators from four areas (European Innovation Scoreboard, 2004).

capabilities of both academic and research institutions and companies in the area of effective management of intellectual property, and the exacting financial demands posed by the patent registration procedure and primarily by the maintenance of patents already granted.

The CR has an inadequate infrastructure in the area of technology transfers. There are only several centres which are truly operational. Even though the establishment of science and technology parks was supported over the past, with approximately 30 of such facilities having been set up, the services provided by these parks still have not achieved the same level and the same quality as those of advanced countries targeting the transfers of technologies and knowledge, or launching new start-ups or spin-offs.

*Transfer of technologies*

Therefore the development of innovation clusters and support are still at their initial stage in the CR. Truly innovative clusters, capable of boosting the potential of the SMEs to launch their own research projects as well as to be able to commission research and development work tailored to their needs, to access affordable training for their professional and executive staff and to engage in long-term cooperation with the research establishments and universities, are almost non-existent in the CR. A serious problem faced by some Czech universities and research institutions as well as by businesses is concerned with their insufficient involvement in international research and innovation networks and within their scope, the low capability to not only use financial resources, but even top-standard facilities and equipment. Apart from large centres (especially Prague, Brno, Ostrava) it is extremely difficult not just to boost this capability to a comparable level but to also set up and launch new regional innovation systems. Partial working places can be found in smaller centres (for example Liberec, České Budějovice, Zlín) and their further development is conditioned by integration into innovation networks.

*Infrastructure for R&D and innovation*

There is no developed system in the CR of funding innovative business activities from risk capital sources, investments of the pre-seed, seed and start-up capital types are almost non-existent, although they are of key importance to the emergence and launching of spin-offs and similar businesses. Business Angels or Business Angels Networks are rare in the CR.

*Financing innovation interventions*

### **3.2. Human resources development and the labour market situation, the Information Society**

#### **3.2.1. Demographic trends and the health of the population**

In the last 11 years the population has shrunk by more than 100 thousand (the population in 2006 was at the level of 10.2 million). Aging population is a serious problem, coupled with the necessity to launch pension reform and with the need to increase the employment level of older age groups.

*Demographic decline*

Another problem is posed by the non-uniform age structure characterised by a shift of the strong post-war age groups toward old-age retirement, and the persisting low fertility rate falling short of securing the level of basic reproduction of the population (see Table 6 in the Annex). From the point of view of securing healthier public finances, an efficient long-term measure is ensuring a behavioural change of the population in the sense of preferring a healthy lifestyle and an effective operation of the healthcare and social care systems.

*Ageing of population and public finance*

The life expectancy has risen substantially since 1990 and approaches the level of

*Public health*

th developed countries. (see *Diagram 5 in the Annex*). The state of health of the population, which has an important impact on the length of working life, is negatively affected in the CR by the rising numbers of disabling chronic non-infectious diseases<sup>7</sup>. Although the healthcare provided presently is at an adequate professional level, the system needs to be modernised and made more effective from the economic and professional point of view, and the advances of knowledge have to be broadly implemented in healthcare practice (establishing a system whereby the results of R&D can be transferred to the human health care area). CR's total healthcare related expenditures in 2005 reached 7.0% of the GDP (EU-25 average: 8.9%), in absolute figures expressed in terms of purchasing power standard per capita they reached 57.4% of the EU-25 average).

The outlook for improving the health of the population is to lay stress on preventative measures, including rehabilitation and the promotion of a healthy lifestyle, which positively influence the duration of the realistic active work period, indispensable to securing the system of pensions.

*Prevention*

The problems of human resources development are closely related to the trends of international migration; the number of foreigners who have been issued CR residence permits has considerably increased each year since 1990 except in 2000, and presently there are approximately 250,000 resident foreigners registered in the CR. However, until now Czech society has been highly homogeneous in the matter of nationalities and the presence of a great number of foreigners within the country's territory represents a new fact to which it will have to respond adequately.

*Immigration*

### 3.2.2. Education

A traditional strength of the Czech population has been the high level of education attained, especially in the area of higher secondary education, and there are very few citizens who have only completed initial education (see *Diagram 6 in the Annex*). Conversely, its weakness is a relatively low representation of university graduates in the population, which exists in spite of the current upward trend and expanding access to tertiary education.

*Education  
and labour  
market*

From the aspect of both current and especially future requirements of the labour market, the hitherto educational and vocational system and structure exhibit a number of serious deficiencies, in particular:

*Deficiencies  
in education*

- dissonance between the labour market demand and the supply of apprenticeship and study disciplines and of training programmes, caused to a considerable degree also by the absence of qualified capacities in forecasting labour market demand fluctuations, and by the insufficient application of knowledge within the intervention procedure in the labour market area,
- the level of knowledge and especially of skills attained is not commensurate with the present demands and decreases the future adaptability of the workforce to changes on the labour market. The type of education which persists is focused rather on the volume of knowledge absorbed, the degree of individualisation is limited, the graduates do not dispose of key competences

<sup>7</sup>The CR has one of the highest death rates from cancer for citizens of working age (25-64 years), the highest prevalence of diabetes (6,5%), the highest number of hospital admissions for cardiovascular diseases, as well as the highest mortality rate from these conditions. Additional health threatening factors are accidents and the high consumption of alcohol and tobacco products.

which are fundamental in the labour market,

- the capacity of tertiary education, gradually opening up to growing demand, has been limited for a long time<sup>8</sup>. A serious problem continues to be posed by the structure and subject matter of tertiary education and by its internationalisation (see *Diagram 7 in the Annex*). The numbers of graduates in engineering and natural sciences are insufficient. The process of school graduates' entry into the labour market is inefficient and complicated. The process is accompanied by insufficient co-operation and communication between the schools and the employers,
- a serious problem faced by the educational system is the inadequately developed and rather ineffective language education, which profoundly hinders not only the internationalisation of Czech enterprise, research and development and the success of Czech businesses in marketing, but also the integration of Czech population into the structures and informal relationships existing within the EU framework. As the numbers of foreigners staying for extended periods in the CR grow higher, the issue of effective education of foreigners of Czech language also comes to the foreground,
- the education for entrepreneurial skills in knowledge economy is insufficiently supported, in particular key competences focused on the entrepreneurial way of thinking and entrepreneurial initiative,
- the system of life-long learning has been insufficiently developed and is yet to be adapted to the needs and possibilities of the adult students and to the employers' needs<sup>9</sup>; in general, standard adult attendance of life-long learning programmes is low,
- the total sum of the education related expenditures is a severely limiting factor for the reform plans entertained in this area. The CR lags behind the developed countries in its public expenditures for education. The share of these expenditures in 2004 was at the level of 4.4% of the GDP, while the EU-15 average was 5.4%.

Fundamental changes to the system of education are being launched since 2006:

- a programme to increase the numbers of secondary schools and lyceums, which should improve the preparation for higher vocational and tertiary education as well as for subsequent life-long learning,
- a curricular reform of education and vocation, which has been launched already and ought to bring substantial modernisation and more flexibility to both the subject matter and method of education, primarily from the point of view of key competences (skills) for school graduates,
- strengthening the education of languages for all population groups, bearing in mind the important role of English – see the National Plan of Tuition of Foreign Languages,
- a higher and more effective utilisation of the public education capacities for

*Challenges in the area of education system*

<sup>8</sup> During the academic year 2004–2005 the enrolment has reached nearly 50% of the age group.

<sup>9</sup> Approximately 6% of the population within the 25–64 years category take part in further education; this figure is one of the lowest in EU. The CR has expressed its commitment to the Lisbon strategy objectives, which set out *i.a.* that by 2010 the rate of participation in life-long learning should be at least 12.5% of the adult population in the productive age.

- further education and vocational training, also stimulated by the reduced birth-rates experienced during recent years,
- the adoption of Act No. 179/2006 Coll. on the certification and recognition of certificates of further education and amendment to certain acts, to facilitate the recognition of learning attained outside the education system and proving obtained education outside of the education system in a transparent and objective manner and to lay the groundwork to enable those who have participated in continuing education to apply it on the labour market,
  - creation of an effective system of transparent tertiary education, which sought to make the studies more flexible (shorter cycles, optional transfers, access to enrolment at any age and at any level).

In order to implement these plans, a massive financial, managerial and intellectual support will be indispensable – primarily involving the rational utilisation of best practices from successful EU countries.

### 3.2.3. Labour markets situation

#### Employment

The rate of employment is above the EU average (in 2005 it was 64.8%, of which men 73.3% and women 56.3%)<sup>10</sup>, but has been decreasing since the mid-1990s, and has been stagnating recently. Marked changes occurred in the employment structure since 1990, the most substantial decrease in employment was registered in the primary sector (agriculture) – currently 4.3%, in the secondary sector 39.2%, the tertiary sector then amounts for 56.5% of all employment. The employment rate in the CR within older aged groups (from 55 to 64 years of age) is roughly at the EU-15 average, lower for women (28.4% CR and 32.2% EU) and higher for men. In view of the expected non-uniform demographic developments, attention has to be paid to increasing the employment of the older workers, improving the health of the population and pursuing a prudent immigration policy. According to data by the MoLSA, working foreigners at the end of 2006 represented 3.36% of the entire workforce<sup>11</sup>. Another important area, where the CR is below the EU-25 average, is occupational health and safety.

*Structure of employment*

#### Unemployment

The average rate of registered unemployment in 2005, according to the new methodology, constituted 8.97% and is below the EU-25 average (9%). The process of decreasing unemployment rate, which has been dominating recently, has primarily cyclic character. However, time delays occur, causing lags behind the dynamic economic growth, due to *i.a.* labour productivity growth, putting pressure on maintaining competitiveness, structural dissonances between job supply and demand, and also on the fact of worse employability of disadvantaged groups.

*Level of unemployment*

Significant differences between genders persist on the labour market. Society regards women through a gender stereotype, mainly as a care person and a mother. So far employers have not been very accommodating to women in the sense of offering special working hours to assist their efforts at harmonising professional

*Labour market groups*

<sup>10</sup> Data by CSO; for international comparison see Diagram 8 and Table 7 in the Annex.

<sup>11</sup> As at the end of 2006, a total of 185 thousand foreigners active on the labour market were registered in the CR.

<p>life and childcare, and the share of women in part-time employment is very low<sup>12</sup>. Problems persist in the area of long-term unemployment connected with marginalising and exclusion of rather large-sized groups of persons, including in particular disabled persons; youth and young adults; seniors; members of ethnic minorities (mainly within the Roma communities granted asylum; the homeless; persons leaving establishments for institutional or protective rehabilitation and persons leaving prisons after serving their prison sentence, etc. To a significant degree, this situation is caused by the fact that the institutional structures of social services and social economics, which would support these persons' re-integration in society and their return to the labour market, are insufficiently developed. An important role in this area is played by non-profit organisations.</p>		<p><i>Long-term unemployment</i></p>
<p>The jobseekers' age structure shows the lowest figures for the age group of 25-29 years (12.9%), in the other age groups it varies between 21 and 22.2%. The specific rates of unemployment in accordance with the acquired level of education decline sharply with the level of education attained. Over the last eight years the number of job opportunities has dropped, particularly in regions with high unemployment. Nevertheless, there has been a certain increase in the last few months. Jobs for worker professions continue to dominate the job vacancies structure<sup>14</sup>.</p>		<p><i>Structure of unemployment</i></p>
<p>An important problem in the CR are the regional disparities of the unemployment rate which keep rising. These regional differences of unemployment are strongly influenced by the dissonances in the supply of skills and the demand for jobs, the low regional mobility of the workforce and by inadequate and costly transport services. The situation most difficult to cope with prevails in the cohesion regions of the North-West (Ústí nad Labem region) and Moravia-Silesia. Unemployment in 2004 overstepped 30% in some micro-regions and was causing serious social problems (see <i>Table 8 and Map 3 in the Annex</i>). On the contrary, the best situation from the point of view of unemployment is in the Prague region. Ranking among the important features of the labour market is the trend of mounting migration within regions too, as opposed to region-to-region migration. According to the CSO data the intensity of migration - the percentage of commuting to work as well as of moving over longer distances - also increases with increasing level of education (and, thus, with higher average income). There is a lack of capacities in the CR for forecasting the structural changes and the future job and skills requirements to be demanded on the nationwide as well as the regional labour markets.</p>		<p><i>Regional disparities in unemployment</i></p>

<sup>12</sup>In 2004, among 8.3% of women, as against 34% of women in the EU (2003).

<sup>13</sup>According to current estimates, only 26% of economically active Roma population have not yet been exposed to unemployment, a further 35% have suffered from repeated loss of jobs, and up to 39% have been repeatedly long-term unemployed. Long-term unemployment has hit ca. 75% of all the unemployed Roma, of whom 30% have been out of work for longer than 4 years. Roma unemployment is substantially higher in certain areas (in and around the towns of Most and Ostrava, as well as in Northern Bohemia), where exclusion enclaves and ghettos have sprung up. It has been estimated that the unemployment of Roma women is 90%. The major causes underlying the marginal position of the Roma in the labour market are low and insufficient skills level, concentrations of the Roma in industrial cities, and the discrimination of the Roma in the labour market.

<sup>14</sup>It should be taken into account however that according to estimates, the numbers of job vacancies on record cover ca. 30-50% of actual vacancies available.

### 3.2.4. Information Society

Building the information society is dependent upon information and communication technologies, transmission networks that would make it possible to transmit and share data and information (infrastructure), and upon the creation of the educational system that would make it possible to utilise these technologies to their full potential. The dissemination and purposeful use of these technologies must ensure an efficient functioning of all information society services on a higher performance and qualitative levels, particularly in electronic public administration (eGovernment). However, the results of the existing analyses suggest a low level and a lack of coordination in the use of state-of-the-art ICT methods and instruments, a low degree of standardisation and integration, lacking variety of the used types of software, data and databases duplicates and inconsistencies, non-existing or unsophisticated models of functioning of the information society services, fragmented, ununified and insufficiently described data sources.

*State of the information society*

The existing results of a survey of the CSO concerning high-speed internet access reveal a low percentage of Czech households covered, a mere 1.5 % of all households. Among corporate entities the penetration of high-speed access in the CR was at the level of approximately 20%, which is roughly one half of the EU average (39%). In spite of the widespread use and popularity of modern technologies (such as mobile phones), the CR has had a very low percentage of households connected to the internet in the long term. This situation has resulted from the high prices set by service providers and the closed nature of the market (see Diagram 9 in the Annex).

*High-speed internet*

The volume of services provided over the internet (eHealth, eBusiness, eCommerce, eEntertainment) has been rather small thus and, with the exception of eCommerce, remains basically undeveloped. The share of eBusiness in the total turnover of the CR companies does not even remotely reach the level of Germany (4.4% against roughly 10%), but indicates a considerable growth potential in comparison with a number of advanced EU countries (see Diagram 10 in the Annex). The demand for on-line services is also held back by an insufficient computer literacy of the population, particularly among the elderly or middle aged and those with lower-level education. Integrity of the electronic communication services and the general security of data transmission are also a problem.

*Electronic services*

The basic strategic document in the area of information society development is the State Information and Communication Policy of the Czech Republic, formulating four areas of priority: **Affordable and Secure Communication Services** (development of the electronic communications market, affordability of electronic communications services, electronic communications security), **Information Literacy** (introducing ICT to educational institutions, information literacy, eLearning, digital divide), **Modern Online Public Services** (eGovernment services, eProcurement and eHealth), and **Dynamic Business Environment**. The establishment of a Government Council for the Information Society, whose task will be the creation of information society and eGovernment strategies, is currently underway.

*Regulatory framework*

This strategy is linked to the State Policy for Broadband Access, the National Information Security Strategy, and the Launch of Digital Broadcasting Concept of

the CR, which solve and specify particular areas.

In line with Government Resolution No. 1085 of 20 September 2006 on the set of measures to accelerate eGovernment development in the CR, the following three development priorities can be defined:

- Simplification of eCommunication both between citizens and public offices, and between the offices themselves, which should be helped by the records of electronic files in administrative proceedings;
- foundation, administration and use of central public administration registers by creating one universal contact point for citizens. In the initial phase, citizens should be able to acquire at such point an excerpt from the Land Registry, Commercial Register, the Criminal Register or the Trades Register (CZECHPOINT project);
- adoption of legal regulations, including the obligation to carry out public commenting procedures with the help of electronic tools.

Equal access to ICT within the meaning of the National Action Plan on Social Inclusion 2004-2006 and eInclusion as one of the pillars of 2010, the basic EU concept material on information society development, focuses on:

- Providing services of the Public Administration Portal to citizens with no access to the Internet (via information kiosks, municipal authorities, Czech Post branches, labour offices, schools, libraries, telephones, etc.);
- accessibility of the Public Administration Portal pages based on the Documentation of principles of accessibility of web pages for severely disabled users;
- enabling the disabled to communicate with public administration with the help of information technology; design all web pages of public administration so as to enable access to disabled citizens.

### 3.3. Transport Accessibility

#### 3.3.1. Transport and Transport Infrastructure

The location of the CR predetermines the country's importance for transport within Europe, imparting an important role on transport in both the north-south and west-east directions. The density of the transport networks ranks among Europe's highest, but the transport infrastructure suffers from numerous serious deficiencies, particularly a low quality and capacity, conditions which often are at emergency level, insufficient connection links to neighbouring countries and to a number of regional centres, especially a fragmentary character of the network of motorways and expressways (see *Map 1* in the Annex) lacking adequate technical measures that would minimise the health risks posed by overloading, noise and emissions from land transport, an insufficient level of transport availability within regions and micro-regions – in the transport of passengers and likewise goods. The condition of 2nd and 3rd class roads is incompatible with the needs of the economy and traffic safety. Safe connecting links and pathways for pedestrians and bicyclists are lacking. The intelligent transport systems enhancing roads safety and traffic flow without congestions are developed insufficiently.

Although the density and availability of the railway network ranks among Europe's highest, the utilisation of railways has for a long time been on the

*Situation in transport infrastructure*

*Motorways, highways*

*2nd, 3rd class roads, and other types of roads*

*Railways*

downward trend. The reasons include its neglected technical condition, parameters no longer compatible with current requirements and outdated communication and safety equipment causing low transport speeds on most train lines except the corridors. A modernisation of major lines is necessary<sup>15</sup> as well as the reconstruction of railway junctions, so as to achieve competitiveness of at least these lines with road transport and to permit combined transport to be expanded and operated at a profit. A persistent problem in railway transport is the unsatisfactory condition of the rail vehicles and the urgency of their renewal. Another serious drawback is the inflexibility of the operator in providing rail freight capacity; this imposes a significant limitation on the railway's competitiveness with road transport of goods.

With consideration to the development of energy-efficient and environmentally friendly transport systems, the CR should benefit greatly from boosting the share of railway transport in the transportation market and from the development of the combined transport where the annual increase of 11% in the volume of container packed goods in railway transport is insufficient. One of the measures which has proven effective is support for building public logistic intermodal centres, open to all operators.

*Environmentally friendly transport*

Air transport is the mode of transport experiencing the greatest upswing in the CR. Prague-Ruzyně airport enjoys a dominant position, taking care of more than 94% and 84% of the total performance in the transport of passengers and goods, respectively. Other airports of international importance include Brno, Ostrava, Karlovy Vary, Pardubice, yet their capacities are only used to a limited extent. Outdated technical installations and the low capacity of the terminals, as well as the insufficient linkage with other segments of the transport infrastructure, mainly the lack of links to passenger railway transport are hindering its greater utilisation.

*Air traffic*

The combined length of the actually exploited waterways on the CR territory is 663.6 km, of which 303 km of the Labe-Vltava waterway can serve long-distance continuous water transport. Only a minor part of the Czech waterways can be classified as corresponding to international categories.

*Waterways*

### 3.3.2. Public Transport and Availability of Transport

The share of public to individual automobile transport has shifted from the ratio of 4:1 in the 1990s to the current ratio of 1:1. This situation makes a considerable contribution to the impairment of environment, mainly in urbanised areas. In the public interest, the CR guarantees so called basic availability of transport, i.e. a reasonably available transport throughout the whole week.

*Decline in public transport*

It is only in some regions that integrated transport systems have been created which combine more types of transport, most often public bus and rail transport plus the systems of urban mass transportation. Mode clearance and handling systems are often absent. It is indispensable to be strategic in developing the integrated transport systems as well as their interconnections, to build integrated

*Potential of the integrated transport*

<sup>15</sup> Interfacing with the European classification, the following major railway routes have been set out: *Corridor No. 1:* (Berlin-Dresden)-Děčín-Praha-Pardubice-Česká Třebová-Brno-Břeclav-(Wien/Bratislava-Budapest); *No. 2:* (Gdańsk-Warszawa-Katowice)-Petrovice u Karviné-Ostrava-Přerov-Břeclav; branch line Přerov-Olomouc-Česká Třebová; *No. 3:* (Le Havre-Paris-Frankfurt a.M.)-Cheb-Plzeň-Praha-Ostrava-(Žilina-Košice-Lvov); branch line Plzeň-Domažlice-(Nürnberg); *No. 4:* (Stockholm-Dresden)-Děčín-Praha-Tábor-Veselí nad Lužnicí-Č. Budějovice-Horní Dvořiště-(Linz-Salzburg-Ljubljana-Rijeka-Zagreb).

transport systems in cities and urban agglomeration kinds of transport would gain in prominence, including the option of using bio-fuels and natural gas in transport, and to support the park-and-ride and bike-and-ride systems.

### 3.4. Environment

#### 3.4.1. Environmental components

During the 1990s, the CR registered improvements in environment. The high emissions of contaminants, particularly in the air, were significantly reduced through investments into decreasing emissions end use devices. During the period between 2000 and 2006, the level of emissions in water has also been reduced. But in the area of air the quantity of emissions stagnated between 2000 and 2006. This reflects on the air quality in the CR. The air quality (PM<sub>10</sub> and benzo(a)pyrene) it is getting worse.

The current environment in the CR cannot be regarded as satisfactory, inasmuch as it follows from the trends monitored that some of the very positive trends which had been characteristic of the early 1990s were slowed down, stopped or even reversed during the last years. The values of the basic standard environmental indicators do not differ by any order of magnitude from the EU-15 (pre-enlargement, i.e. prior to 1 May 2004) and OECD-30 averages, but are at a lower level in comparison to the neighbouring states. The dynamics of present-day changes is, however, slower due to lower activity in adopting the environmental protection measures and the significant decrease experienced in environmental investment. Therefore, further environmental improvements will require higher level of investment, primarily into modernizing technological processes and innovating manufacturing technologies.

The main problems and risks to the quality of environment are as follows:

- exceeding the emission limits and target emission limits with regard to human health protection and ecosystems and vegetation protection,
- the negative impact of growing automobile traffic on the health of the population (particularly in cities and towns lacking bypass roads where the traffic of the most important state and regional routes is conducted),
- the negative impact of energy production (including the household heating) on health (high background levels of air pollution, i.e. also in rural areas),
- contamination of the environment by dangerous substances from industry, agriculture, households and agglomerations, emergency leaks of hazardous substances to the surface and underground waters,
- a poor condition of running surface-water in terms of their environmental cleaning functions, a low retention capacity of landscape with relatively high risks of flooding,
- a high degree of fragmentation of the landscape,
- numerous localities suffering from old environmental burdens,
- a high percentage of land threatened by water erosion,
- high greenfields construction activity,
- forests threatened by atmospheric depositions and degraded soils, and the

*State of environment, dynamics of changes and investments*

*Negative factors*

unsatisfactory health condition,

- the danger of a further reduction in biodiversity,
- the unsuitable structure of traditional fuels (with regards to the environment). Brown coal, which is the least ecologically acceptable, has still a dominant place.

Water use and discharge of wastewater are basically stabilised. All settlements above 10,000 population have their waste water treatment plants built. Those stations which fail to meet the limits imposed by Council Directive 91/271/EEC will have to be rebuilt and intensified, including completion of sewers before the end of the transitional period, i.e., 31 December 2010. Similarly, all communities having population equivalents (PEs) of 2,000–10,000 must have their waste water treatment plants installed and running by the end of the transitional period. Agglomerations of up to the PE of 2,000 where there is a sewer system must have an adequate waste water treatment system in place. Further, renewal and modernisation are also necessary for the water-work and distribution systems (see Table 9 in the Annex).

*Water*

Emissions of all basic pollutants stagnated between 2000 and 2005. Among other developments, emission limits for PM10 were exceeded in 35% of the territory in 2005 (i.e. over 65% of the Czech population were exposed to above-limit air pollution levels) and approx. in 5% of the Czech territory the target emission limit for polycyclic aromatic hydrocarbons (PAHs), such as benzo(a)pyrene, was exceeded (i.e. with an impact on approx. 35% of the population). Long-term high levels of air pollution by tropospheric ozone constitute a nation-wide issue. These limits exceed the target emission level set for human health protection (in approx. 99% of the territory). In the past two years, the level of pollution by fine dust particles (PM2.5) exceeded the proposed limit in approx. half of the sites where the PM2.5 pollution levels were measured.

*Air*

In addition to increased health risks, current air quality situation brings about also failures to comply with both Czech and EU legislation.

The specific measures of system programming instruments have been identified at all levels, which will help improve the current situation. Implementation of these measures depends particularly on available funds.

The overall production of waste is declining but municipal waste has been growing moderately since 1995. Until now, insufficient attention has been paid to the collection of sorted waste, the biodegradable component of municipal/communal waste and the material and energy re-use. Effective tools are either missing or have not been implemented to prevent environmentally unfriendly handling of waste, causing burdens to the landscape due to the presence of uncontrolled and unmanaged waste dumpsites.

*Waste*

A growing share of the Czech population is exposed to excessive noise, particularly in larger towns and cities and in areas adjoining the routes, which conduct heavy traffic. Construction of anti-noise measures and enforcement of noise level limits on producers proceed at a rather slow pace.

*Noise*

Nature and landscape development are threatened by old burdens, facing problems particularly in connection with extensive areas devastated by mining (coal, uranium) and in connection with industrial sites fallen into disuse (brownfields). New environmental burdens are being generated, both controlled and illegal dumpsites containing municipal/communal waste, toxic materials dumped and not

*Landscape,  
ecological  
burden and  
NATURA  
2000*

disposed of properly. Moreover, there has been a mounting incidence of emergencies both in industry and in road transport, which threaten the environment. The elimination of old environmental burdens requires capital-intensive, long-term investments. Appropriations of land for new construction are still frequent and the degree of revitalisation and subsequent re-use of brownfields is low. This situation in respect of nature and landscape is also being unfavourably affected by agricultural production, forestry and expanding settlements, as well as by transport and industry. An element of importance to the protection of nature has been the introduction of the Natura 2000 system, and yet the problem of gradual loss of biodiversity persists. Professional documentation including the monitoring of the situation regarding the different environmental components continues to be underdeveloped.

### 3.4.2. Energy conservation

The Czech economy, above all the Czech industry, has long been known to be highly demanding on energy, with a low share in renewable sources of energy (see *Diagram 11 in the Annex*). Together with the transport sector, this is the reason for the energy supply and demand being the largest contributors to emissions polluting the environment. Alternatives, primarily renewable energy sources (RES) and the increase in the energy efficiency of traditional sources, are only developing slowly. In addition to transport and industry, the household sector is one of the greatest potential energy savers. Reducing the emissions of greenhouse gases in relation to energy conservation measures is a priority, *i.a.* pursuant to the Kyoto protocol on climate change<sup>16</sup>. Also, the renewable energy sources support presents significant measures in the battle against climate changes<sup>17</sup>.

*Energy savings*

The State Energy Conception until 2030, approved by the Government, specifies state priorities and defines goals, which the state would like to achieve upon affecting the development of the energy economy over the next few years, under the conditions of a market-oriented economy. When selecting priorities, goals and sets of instruments of the State Energy Conception, energy, ecology, economy and social aspects were respected.

This Conception is based on security, independence and sustainable growth, which fully complies with the new Energy Policy for Europe that the EU is currently starting to implement. The Conception has four main goals – maximization of the energy efficiency, ensuring effective amount and structure of consumption of primary energy sources, ensuring maximum environment friendliness, and finishing the transformation and liberalization of power industry.

A maximization of energy efficiency will involve a significant reduction of energy consumption per unit of GDP, which should reach about 37.5% of the year 2000 in 2030 – the expected reduction should reach 62.5%. Ensuring the effective structure and amount of consumption of primary energy sources means maintaining the variety of the national energy mix. It should consist in future of lignite (even despite constant decrease in its production) and also of increasing proportion of nuclear fuel, natural gas, and renewable energy resources. The

<sup>16</sup> Czech Republic's commitment for the first inspection period (2008-2012) is to reduce its greenhouse gases emissions at least 8% in comparison to the 1990 level.

<sup>17</sup> Based on Directive 2001/77/EC on the promotion of electricity produced from renewable energy, the Czech Republic accepted share of eight percent of electricity produced from renewable energy sources on total electricity consumption as an indicative target value in the year 2010.

proportion of so-called unconsumed energy will have a significant and constantly growing character – exceptional emphasis is and will be put on energy savings. The biggest economic potential of savings is in large enterprises, residential houses, and the production, transfer, and transformation of energy. Ensuring maximum environment friendliness means mainly permanent reduction of all emissions. The reduction of the basic greenhouse gas - CO<sub>2</sub> - is very significant. Due to increasing importance and increasing share of non-emission sources in Czech energetics (nuclear energy and RES) it is assumed that emissions will decrease by 30% in 2030 as compared to 2000 or 40% if compared to 1990. The goal of finishing the transformation and liberalization of the energy industry is also gradually fulfilled in relation to the EU plan in this field.

When applying the objective and system measures of the State Energy Conception, the state's stimulations to and communication with the business sphere, the energy industry will aim at high appreciation of energy inputs. All quality parameters of energy industry will improve considerably, the appreciation of consumed energy to the formation of GDP will increase, and energy savings and economy will improve. Both factors together will contribute to fast approaching the parameters of original EU countries. Furthermore, the load on the environment will decrease, and the CR will meet all obligations from international contracts in the sphere of power industry and the environment. With minimal increase in the consumption of primary energy sources, the structure of primary energy sources will continue to change. The consumption and extraction of lignite will decrease in the period under consideration by about 40% compared to 2000. The hard coal market will also be significantly reduced by 2030, with increasing role played by imported hard coal. All charred coal consumption will be covered by imports. The consumption of oil should decrease to one half. Increased significance in the structure of primary energy sources will be given to natural gas, nuclear fuel, and above all renewable resources. The diversification of the consumption of primary energy sources will further increase due to these changes. Consumption of electricity will grow, but with gradual reduction of the consumption growth speed. Nuclear energy will become the most distinct technology of electricity production, and the production of electricity and heat from renewable resources as a significant domestic energy source will also increase.

### 3.4.3. The Kyoto obligation

Projections of emissions show that the CR will meet the Kyoto obligation with sufficient reserve, with non-EU ETS sectors being part of total emissions of CO<sub>2</sub>. Moreover, the CR plans to develop policies and measures that relate to reducing emissions of greenhouse gases beyond EU ETS. One such significant measure is for example the introduction of ecological tax reform, or the implementation of the Directive on the energy performance of buildings. The main goal for the future period is to reduce the steep increase of emissions from traffic. The CR supported aims to reduce greenhouse gases within EU at least by 20%, 30% resp. in the year 2020. The work on the evaluation and updating the National program on reduction of climate changes impacts started according to the Government Resolution No. 187/2004.

### *Kyoto obligation*

### 3.4.4. Environmental and technological risks

The level of risk posed by natural disasters, industrial accidents and emergency leakages of hazardous substances has mounted greatly as well as industrial accidents, traffic accidents causing leakage of dangerous substances to the environment, fires, and other threats have become substantially more frequent in recent years, and the total losses incurred have also grown higher.

trial accidents and emergency y in the CR. Natural disasters causing leakage of dangerous eats have become substantially incurred have also grown

*Enumeration of risks and their risk elimination infrastructure*

The experienced negative impact tends to be large and environmentally destructive<sup>18</sup>. In case of natural disasters (floods in particular) the basic prerequisite to decreasing the risks of such calamities occurring is to implement environmentally friendly measures in the landscape (to boost the retention capacity of the land, etc.). Other weaknesses of the present system of protection against these risks and of protecting the environment include the lack of modern technical equipment for the integrated rescue system and of means of protection for the population. Environmental education of the population as a preventive tool has also been underdeveloped and continues to operate under the constraint of a perceptible lack of funding.

## 3.5. Tourism and Culture

### 3.5.1. Tourism

Tourism is an important segment of the economy. Its employment in the CR and in GDP (as per the 2005 figures by the World Travel & Tourism Council) has been 12.9% and 3.1%, respectively. After 1990, there has been a substantial increase in the number of foreign million arrivals in 2006).

share in the total of the gures by the World Travel & ively. After 1990, there has n visitors (more than 100

*The role of tourism*

There is considerable historical, natural, and cultural potential<sup>19</sup> in the CR for the development of travel and tourism and health resorts-spas. Most of the historical buildings and sites are in a state of disrepair, and this is why intense care has to be devoted to their reconstruction and revitalisation so as to permit the related services to develop therein. The country has a high-density, well signposted network of interconnected tourist trails and routes offering potential for tourism and recreation or leisure activities.

*Potential of tourism*

The utilisation of this tourism potential is insufficient, mainly due to an inadequate infrastructure and a poor quality of both the basic and the ancillary services, including the management quality and the propagation at a national level. A great problem faced by tourism in the CR is the uneven concentration of tourists and visitors across the regions<sup>20</sup> and the unexploited potential of the regions which is

*Lay-out of tourism potential*

<sup>18</sup> In the great floods which befell the CR during July and August, 1997 the territories of 33 districts were hit, a total of 29,358 persons evacuated; in August 2002 a total of 43 districts were hit belonging to 10 different regions, with 99 towns and municipalities flooded, water damage was suffered by yet another 347 towns and municipalities, there were 123,200 evacuees.

<sup>19</sup> Currently there are approximately 44,000 buildings and real estate entities of cultural monument character (of which 191 are National Cultural Monuments), 900,000 heritage assets having the character of personal property and 575 heritage reservations and cultural monument zones of urban, rustic, landscape or archaeological type (in accordance with the Central registry cultural monuments).

<sup>20</sup> Approximately 40% of the total visitor rate is taken up by the Capital City of Prague, the other most frequently visited areas include the West-Bohemian spas, Krkonoše (Giant Mountains) and Jizerské Mountains, Šumava Mountains and other areas in South Bohemia, selected destinations in

also limited to a certain season only: the challenge is to overcome this seasonal limitation. Other reasons include the substantial differences in the level of amenities available of different regions ( see Table 10 in the Annex ), a poorly designed or deficient distribution of competences among the participants of tourism, lack of funding for the maintenance and renewal of the cultural heritage sites, and the limited resources available for the support of SMEs in the area of tourism. There is a significant opportunity for the CR to exploit the travel industry market by offering new products such as tourism focused on cities or congresses, incentive, sports and biking tours, tourism oriented on cultural monuments and events, and a wide range of 'environmental' products. Rural tourism also offers good conditions.

A serious problem is posed by the persistent low level of partnerships between the public authorities and the business subjects, communities, regions and the State and insufficient development of cross-border partnership, particularly with the partners from the countries with more developed tourism, in a process of tourism potential building-up in territory, as well as the lack of skilled staff in tourism and the limited language proficiency encountered in some regions.

### 3.5.2. Culture

The CR has a high-density network of cultural monuments and historic residences, mansions and cultural institutions standing under heritage protection. A great part of the rich cultural heritage is in a condition unfit for immediate use, owing to the lack of resources. In a number of cases, they are threatened by decay. The country's unique networks include those of museums and galleries, libraries, and theatres and cinemas, which have again been enjoying high visitor rates recently. However, the culture services provided are not diversified. There is strong predominance of a traditional focus over current, progressive forms addressing a wider general public, including the youth. The role of the culture for socio-economic development of the society in the CR is underestimated.

*Cultural potential*

The cultural infrastructure is concentrated in large cities, whereas in smaller settlements it has been declining in its quality or even ceasing to exist. A sizeable part of the cultural infrastructure is outdated and equipped with inadequate technology. What ensues is a growing gap between supply and demand as concerns the important types of cultural activities receiving support from the public budgets. On the whole, the situation in the area of culture carries the stigma of a shortage of investments in the long term, of the insufficiently clarified relations to the regional and municipality budgets, and last but not least, a low level of stimulation accorded to partnerships between the public and the private sectors.

*Culture in regions*

### 3.6. Public administration

Early in the decade, the CR implemented phases 1 and 2 of the territorial reform of public administration in order to decentralise it, to strengthen territorial self-government and to bring public services closer to citizens. Therefore, in the nearest future, no significant changes are planned in the institutional area. This

*State and comparison of public administration*

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Central Bohemia, and out of the large cities, mainly Brno – the “City of Fairs.” Among the most visited regions there are the locations which are on the list of UNESCO.

reform, however, was not accompanied by sufficient improvement of quality, effectiveness and transparency of public administration. In terms of the public administration quality, the CR occupies one of the last positions among the EU-25. The worst evaluation is given to the efficiency of public expenditure and to the regulatory burden at the central level. Subject to less criticism is also transparency in Government policies. On average, the position of the CR is the worst in the group of Government efficiency indicators, where the CR ranks last but one of the EU-25<sup>21</sup>. Similar results are also obtained from an alternative concept of assessing the quality of administration, which is focused on selected aspects of the operation of public institutions – the protection and enforcement of property rights and the scope of effectiveness of Government activities and policies. The development of eGovernment is still at a low level as well (see Diagram 12 in the Annex). Therefore, the reform of the public administration quality and the reform of central public administration are now starting, which are to be finished by year 2012 in accordance with the approved concept material.

*tionquality*

The Czech public administration has yet to cope mainly with the following problems:

*Difficulties within public administration*

- the absence of a system of effective management and quality assessment of public administration,
- underdeveloped HRD system, including eLearning, of both public administration's staff and the elected representatives (vocational and managerial education; the Civil Service Act which is in force, but actually ineffective),
- the indispensability of speeding up the administration capacity of public administration at the levels of regions and new micro-regions (municipalities with extended territorial jurisdiction),
- the limited level of digitisation of public administration in three main dimensions: (i) in contact with citizens, (ii) in contact with entrepreneurs, and (iii) among individual public administration institutions,
- insufficient use of innovative approaches in public administration at the local level to ensure accessibility, quality and transparency of the public services to all citizens,
- the absence of comprehensive systemic changes in public administration at the local level in rural municipalities leading to a guaranteed accessibility and quality of public services to all citizens,
- a serious and relatively stand-alone issue is the slow functioning of the judicial system and law enforcement issues,
- a considerable issue is a lack of adequate information and territorial and analytical data to support well-founded decision-making (on territorial matters).

<sup>21</sup> World Economic Forum – Global Competitiveness report 2004-2005, Palgrave MacMillan, 2004, Czesaná, V., Kadeřábková, A., Špěváček, V. a kol.: Ročníka konkurenceschopnosti České republiky, CES2005.

## 4. REGIONAL DEVELOPMENT

### 4.1. Structure of settlements and problems of urban development

The Czech Republic is characterised by a fragmented structure of its settlements, with a historically given high number of municipalities (see Table 11 in the Annex). There is a great number of municipalities in the CR (6,248 as of 31 December 2006) of which only a minor part can be regarded as towns based on international standards<sup>22</sup>. Nonetheless the urban areas play an important role in the development of the entire regions. From the functionality viewpoint, the following urbanised areas can be identified: Prague agglomeration, East-Bohemian agglomeration, North-Bohemian conurbation, Liberec – Jablonec nad Nisou, Plzeň, České Budějovice, Karlovy Vary, Ostrava agglomeration, Brno agglomeration, Central-Moravian conurbation, Zlín.

The following hierarchy can be used at the level of individual settlements: The Capital City of Prague is an international metropolis of a lower degree, which has been long established as the natural centre of Bohemia and the whole CR. The regional metropolis of a higher degree is Brno – naturally integrating the area of South Moravia; the regional metropolis of a lower degree is Ostrava as the natural centre of Moravia and Silesia. Plzeň is a meso-regional centre of a higher degree; Hradec Králové, Pardubice, Liberec, Ústí nad Labem, České Budějovice, Olomouc and Zlín belong among other meso-regional centres – the natural centres of the respective regions. The role of Karlovy Vary and Jihlava as regional administration centres is being enhanced. Most municipalities with extended territorial jurisdiction play the role of micro-regional centres, of which Mladá Boleslav and Opava aspire to become meso-regional centres.

With regards to the potential for further development, The Spatial Development Policy defines 12 main development areas. Far more frequent requests are made for zoning changes in the following areas because they are centres for international or nationwide businesses: Prague, Ostrava, Brno, Hradec Králové – Pardubice, Plzeň, Ústí nad Labem, Liberec, Olomouc, Zlín, České Budějovice, Jihlava and Karlovy Vary. These development areas are linked by 11 development axes.

The Capital City of Prague is currently one of the most dynamic and most successful regions of Central Europe. However, it confronts a number of serious problems. It still ranks among the Czech regions as the most disrupted environmentally, its transport infrastructure is far from corresponding to the present – let alone future – needs and the quality of human and innovation potential of the city is only partly used. On the other hand, the achieved level of socio-economic development determines the Capital City of Prague as the main development pole of the CR capable of producing innovation impulses and transferring them to other Czech regions. The Capital City of Prague is the natural gravity centre of Central Bohemia; building the capacity infrastructure interconnecting both regions requires close cooperation and particular approach.

The GDP per capita in Prague (in purchasing power standards) represents 143% of the EU-25 average, whereas the value for the whole CR is 70.9%. Individual

*Residential structure*

*Agglomerations*

*Major development areas*

*Capital City of Prague*

*Differences in socio-economic*

<sup>22</sup> Though the international definitions are not stable, in international context the population is considered like urban population when living in municipality with more than 2000 inhabitants. In municipality law as one of conditions for confession mentioned. There were 529 municipalities with town statute in the CR in 2006. The CR has only five cities with population exceeding 100,000 – Prague, Brno, Ostrava, Plzeň, Olomouc.

regions show less than half values (58.2–66.4%). The rate of registered unemployment in Prague (2.9% in September 2006) is approximately a third of this figure for the whole CR (7.8%) and almost a fifth as compared to regions with the highest unemployment rate (Moravia-Silesia, Northwest). The comparative advantage of Prague in the area of tertiary education and research and development capacity development is remarkable. Employment in the tertiary sector in Prague (79.1%) substantially exceeds the value of the whole CR (56.5%) and other individual regions. The share of students of Prague universities in the overall number of students in the academic year 2004/2005 was 40%; or even 68% in the case of private schools. There are approx. two-thirds of public R&D institutions located in Prague and a third of private R&D institutions (Prague is the seat of 40 branches of the Czech Academy of Sciences and 50 research institutes). In 2004, Prague was the destination for 37.9% of total R&D expenditure and more than 63% of public sector expenditure.

*characteristics*

The dense network of small and medium-sized towns hinders the emergence of stronger development poles that could become the key poles of regional development, thus making it possible to create a network equally extending over the entire CR territory. The positions of regional centres is weaker compared to regional centres abroad, so that when stimulating here regional development poles it is necessary to take account of the comprehensive development of the urbanised areas listed above. In spite of this, certain regions of the CR do not dispose of the critical mass required, and the gravity force of urban centres does not allow for an integration of its relevant territory (such as the region of Bohemian-Moravian Highlands). To transmit the development stimulus from the national centre and from the development centres of neighbouring countries it is necessary to stimulate the development of links between the different urbanised areas, so as to produce a networking effect and to promote polycentric development. When extending support to the development of urban areas, it is imperative to also take into account the efforts to resolve the social problems currently faced by the towns – a social and economic downfall of certain town districts (restructuring the town economy, transforming the transport services and infrastructure, cultivating the residential developments).

*Insufficient number of growth poles*

*Networking of towns*

Within the framework of the settlements there also exist peripheral regions in the CR at the level of micro-regions, particularly in the border and mountainous areas to the North-West of the country, as well as in the Bohemian-Moravian Highlands and scattered all across the CR territory. The inadequate transport connections to the regional centres cause considerable problems to the peripheral regions. Remoteness has its share of responsibility in keeping the unemployment figures above average and in the generally inhibited economic activity of those territories where it cannot be fully compensated by revenues from tourism and agriculture. The peripheral regions suffer from neglect by investors.

*Peripheries*

The system of regional policy of the CR at the national (or regional) level defines supported regions and micro-regions as structurally affected, economically weak regions and micro-regions with extraordinarily high unemployment levels. In order to ensure their development the CR introduced a corresponding system of interventions aiming at the regions. In 2007–2013 these problem areas cover 30% of the Czech territory and are home to 30% of the population (See Map 2).

*Regions which receive concentrated states support*

#### 4.1.1. Rural areas

The CR rural areas at NUTS level 2, according to EU methodology as at 1 January 2003, were constituted – except for the Capital City of Prague and Moravia-Silesia – by all the cohesion regions<sup>23</sup>.

*Definition of rural areas*

The population growth in the rural municipalities has not been uniform across the entire territory and is closely related to the suburbanisation process. The percentage of the working population increases with the size category of the municipalities. Problems are concentrated in rural areas, including those relating to access to environmental infrastructure and those of the outdated transport infrastructure. The capacity and quality of local authorities are inadequate, as is the accessibility of public services. The impairment of the demographic structure impacts upon the social infrastructure of the rural areas which then becomes unprofitable to operate.

*Structure of the rural areas*

Three types of rural areas, in which different trends become visible, can be identified in the CR:

*Types of rural areas*

- rural areas in the hinterland of large cities – influenced predominantly by suburbanisation and registering significant population uptakes which in turn influenced development and particularly their investment priorities,
- rural regions developed to an average degree, more distant from the large urban centres but easily accessible by transport (with recreation potential),
- peripheral rural regions, sparsely populated, isolated from the sub-regional centres and from major transport routes.

Over a long period of time the border regions had been peripheral within the national state in that they were remote from the development centres. This regularity was particularly valid, in view of the markedly concentric shape of the country's territory. Their distance from the centre of development and especially, from the centre of greatest importance i.e. the Capital City of Prague, due to the fact that the territory of Europe became organised as national states, constituted one of the barriers in their development in the long term. This handicap simply is a fact to be faced, which can be dealt with only to a limited extent, e.g., by building up the infrastructure (transport, IT, etc.) to bring these areas closer to the centre-point of the country in terms of time or virtually.

*Border areas*

There is a development potential also in the outward direction, towards the regions of the neighbouring states and their regional centres on the other side of the border. Such integrated development is prerequisite not only for removing the frontier barriers (e.g., by expanding the Schengen area) and the infrastructural barriers (cross-border overland communications providing access from both sides of the border to the future common centres of the cross-border areas, IT networks, etc.), but also for eliminating the existing psychological, historic or language barriers etc.

*Integrated development*

<sup>23</sup> By this definition, the rural areas encompassed 92.4 % of the country's territory, with the communities situated in the rural areas thus defined representing 95.2 % of all CR communities and 76.2 % of all CR population.

#### 4.2. Summary of the causes underlying the major regional disparities

The development which occurred in the different regions of the CR was closely connected with the territorially-differentiated dynamics of the economy. The main causes underlying the uneven development of the regions and the emergence of regional disparities are as follows:

*Analysis of disparities*

- Regional differences in economic structure and its diversity – *a significant decline in production and employment in heavy industries – Moravia-Silesia and the North-West; the downfall of textile and electrotechnical industries – in the North-East and the clothing and footwear industries – in the North-East (Pardubice region), Central Moravia (Zlín region) and the South-East (Highlands); a marked loss of workforce in agriculture, particularly in the traditional agrarian regions – in the South-East and in Central Moravia (Olomouc region); development of the tertiary sector, concentrating predominantly in larger towns and agglomerations. Big regional differences exist also in the area of innovative potential.*
- *The quality of human resources (education level, entrepreneurial tradition) and of local government (insufficient administrative capacities in small municipalities – more than 80 % of municipalities, ineffectiveness, absence of systematic and comprehensive development of the local potential, orientation on conceptual approaches, strategic planning etc.), low interregional mobility of the workforce.*
- *A persistently unsatisfactory environmental situation – Moravia-Silesia and the North-West, large cities – Prague, Brno, Plzeň, Ústí nad Labem, Pardubice-Hradec Králové and elsewhere. Uneven coverage of territory with technical infrastructure. Existence of numerous territorially and/or technically determined specifics and problems.*
- *Differences in the geographical position of the regions within the CR as well as in the EU context.*

#### 4.3 Summary of regional disparities and classification of the regions

The substance of the regional disparities, even not mentioning the fundamental difference existing between the socio-economic level and the degree of development of the Capital City of Prague on the one hand and of the cohesion of the regions on the other hand, can be expressed by the following types of cohesion regions:

*Classification of regions*

- **Regions undergoing rapid development** – the Capital City of Prague.
- **Regions undergoing development** – South-West and Central Bohemia.
- **Regions having low growth dynamics** – South-East and North-East.
- **Regions lagging behind** – Central Moravia.
- **Regions on the decline** – Moravia-Silesia and the North-West.

Even more pronounced disparities can be identified on the level of regions and especially, on the level of micro-regions, where substantial differences in economic performance exist. They relate to the availability and territorial coverage primarily of the peripheral regions, including the availability of public services, as well as to the unemployment rate which is influenced, *i.a.* by the ability of the population to adapt to changes occurring in the labour market, to upgrade their

*Micro-regional disparities*

knowledge and skills and possibly also to launch and pursue entrepreneurial activities. Disability in these characteristics causes stagnation or impairment of the quality of life and, consequently, weakening of the local communities (citizens' participation in public affairs, development of cultural and social activities, etc.) and a general undermining of these communities' sustainable development. The micro-regions thus affected suffer from significant changes in their demographic structure, loss of population groups with good prospects, indispensable to the regions' development – the educated people in their productive age. What ensues from all these processes is a decline of the economic performance of the territory in question, and the emergence of barriers which hinder the necessary regeneration from being launched in the region thus affected.

## 5.SWOTANALYSIS

### Strengths

#### **Economic situation, innovations and competitiveness**

- macroeconomic stability and swift economic growth in relation to EU
- massive inflow of foreign direct investments supported by the system of investment incentives
- export oriented production
- existence of high-quality scientists and scientific teams in selected internationally competitive disciplines

#### **Modern society and competitiveness**

- ongoing social dialogue and resulting social stability
- sufficiency of qualified labour for competitive price able to use modern technologies
- high share of graduates who gained higher secondary education with the Leaving Examination
- high penetration by means of mobile communication

#### **Environment, availability of transport and competitiveness**

- high density of road and rail network, network character of railways
- higher performance of public transport in comparison with the EU, high share of urban public transport in passenger transport performance
- overall improvement of the environment
- adequate share of protection areas, implementation of localities and bird habitats (system NATURA 2000) with European importance

#### **Regional development and competitiveness**

- minimum differences in GDP per capita between individual cohesion regions (with the exemption of the Capital City of Prague)
- important socio-economic position of Prague in the European hierarchy of settlements
- significant internal potential of the border regions

### Weaknesses

#### **Economic situation, innovations and competitiveness**

- incomplete reform of public finance
- lower labour productivity and other production factors in comparison with advanced countries
- out-of-date manufacturing base with high energy and material demands on production
- low share of both private and public expenditure in funding of applied research and education of labour force, insufficient infrastructure and capacities for R&D
- insufficient ability of the business sector to absorb the results of R&D (with problems on both, demand and supply side), rigidity of some R&D institutions, low involvement in international networks and enterprises
- low quality of services and unsatisfactory infrastructure for tourism
- insufficient utilisation of the natural and cultural potential for development of tourism (except Prague)

#### **Modern society and competitiveness**

- persistent negative development of natural renewal of population, ageing population
- insufficient relation of education systems to the changing requirements needs of the labour market, insufficient cooperation of schools and employers (life-long learning)
- below-average expenditure in education, active employment policy, health care and culture from both public and private sources in European comparison
- low efficiency of language education
- lower share of students in tertiary education in comparison with the average of countries with long-functioning market economy
- insufficient knowledge and competence for business activities
- regionally differentiated high unemployment rate with marked elements of structural

unemployment and high proportion of long-term unemployed persons

- persistent slow and insufficient integration of specific groups of population
- insufficient utilisation of information and communication services by SMEs and households
- modern management methods and ICT are insufficiently applied in the public sector
- low effectiveness and quality of public administration operation in small municipalities – absence of equal access to the basic local public services for all citizens

#### **Environment, availability of transport and competitiveness**

- uncompleted network of TEN-T, insufficient network of motorways and expressways
- low level of waste-water treatment in municipalities of up to 2000 and between 2001 and 10 000 population equivalents (PE)
- long-term burdening high percentage of inhabitants with over-limit level of air pollution
- exposition of a high number of inhabitants with noise
- low capacity and low quality interconnection of settlements in regions,
- insufficient accessibility of transport services in certain regions
- critically worsening situation in maintenance of transport networks
- slow development of combined transport and logistic centres
- high share of old environmental burdens, low rate of utilisation of brownfield areas
- insufficient risk prevention, in particular concerning natural disasters and technological accidents
- low share of renewable energy sources, lower ratio of energy yield from traditional resources

#### **Regional development and competitiveness**

- high regional differences in dynamics of economic performance and according to the share and concentration of structural problems
- regional differences in quality of environment, worsening of environment quality in the cities
- lack of employment and retraining opportunities in rural areas and drain of working age population
- economic and social problems of border and peripheral regions
- neglected transport infrastructure connecting border areas with the centre inside the state, but also with development centres of border regions of the neighbouring countries
- underestimating of social-economic role of the culture, traditionally and monotone oriented culture services supply

## **Opportunities**

#### **Economic situation, innovations and competitiveness**

- more intensive participation in the EU common market
- possibility of recovery of the European economy, global growth of economy dynamics in the eastern Europe area
- strengthening of progressive segments of economy – pro-growth sectors, and utilisation of eco-innovations
- strengthening internationalisation of business activities, development of international cooperation and expansion of enterprises on foreign markets
- rise in expenditure in research and development at least to the level of the advanced countries
- interconnection of domestic R&D capacity with the international, in particular European structures
- development of cooperation of scientific research institutions, schools, innovation centres and enterprises, establishment of networks
- development of industrial services and consultancy services, especially for SMEs
- utilisation of resources from the SF in the period 2007 – 2013, enabling speeded up implementation of strategic investment actions
- possibility of further development and improvement of quality of services for tourism
- versatility of landscape with high natural diversity and cultural-historical potential, attractive for tourism, recreation, leisure of inhabitants and their further education

**Modern society and competitiveness**

- development and further improvement of the education system, increase in openness and permeability, quality and efficiency of education, including language education
- rise in expenditure in education and healthcare from both public and private sources, at least to the level of the advanced countries average
- implementation of system of life-long learning and improvement of motivation to participate in further education
- development of quality and supply of technical and natural-science education and its diversification, participation of graduates in R&D
- formation of conditions for development of information society
- increase of ICT penetration in the business sector and households and development of secure electronic services
- increasing of life contingency both men and women
- strengthening of internal migration to work in relation with flat market liberalisation and wage growth
- completion of public administration modernisation and increasing efficiency of its management, strengthening administrative capacity at all levels of public administration
- application of public administration partnership with business subjects, social partners and NGOs at all levels of management of public matters

**Environment, availability of transport and competitiveness**

- speeded up completion of the construction of network of motorways and expressways
- improvement of quality of the environment – reduction of loads and burdens and prevention
- expansion of integrated passenger transport systems, including modern check-in systems and construction of transfer terminals
- development of combined transport, strengthening importance of rail transport
- development of conditions for private investment in public infrastructure (PPP and licences)
- rational management of energy – energy savings, support of alternative sources of energy
- sustainable development – increase of competitiveness influenced by modernised production leading to increase of energy and material efficiency
- prevention of waste formation, increase of the share of waste recycling
- prevention of environmental and technological risks

**Regional development a competitiveness**

- strengthening the role of big cities and urbanised areas as development poles for regions by increasing quality and capacity of their transport connection to the network of motorways and modernised railways, increasing of its innovation capacity
- potential of Prague to become important economic and management centre of Europe, opportunity of other cohesion regions to utilise the dynamic development of Prague
- strengthening of applicable innovation potential on regional level, exploitation of innovative actions
- strengthening of the role of micro-regional centres as local development poles
- development of sustainable technologies and business activities in rural areas
- encouragement of internal potential development in border areas by means of strengthening cooperation as a source of creation of new jobs and economic development

**Threats****Economic situation, innovations and competitiveness**

- economic stagnation of global economic centres, in particular the EU
- developments in the sphere of public finance and public debt
- uncompleted restructuring of the economy
- risk of unpreparedness of the CR in case of premature adoption of the Euro
- exaggerated orientation on the area of production with low added value, risk of relocation of important employers and investors to other countries

- significantly lower share of innovative enterprises compared with the EU-15 countries
- insufficient cooperation between universities, research institutions and private sector in the area of innovations
- lack of institutions with efficiently functioning systems for transfer of R&D results
- insufficient protection of intellectual property
- decline in interest of the CR as a tourism destination

#### **Modern society and competitiveness**

- impact of increasing share of the post-productive segment of population on the overall economic situation and social and healthcare system of the state
- possible destabilisation in case of reduction of social dialog
- politicizing trends in public administration, persistent patronage and corruption practices
- low law enforcement and slow activity of courts
- personnel destabilisation in public administration
- lagging in the development of knowledge society
- absence of complex system of life-long learning (in particular from the viewpoint of connection between initial and further education), absence of legal framework
- local lack of specifically qualified labour influenced by its limited mobility
- the Digital Divide – division of society according to the possibility and ability of access to ICT, in particular to Internet, violation of security and protection of privacy in ICT use
- decrease in quality of human resources in the health sector, education and public administration as a result of inadequate wage conditions and a long term underfinancing of these systems
- long-term multi-generation unemployment, continuing discrimination of certain groups disadvantaged on the labour market
- low interest of all persons (including the unemployed) in further education (including retraining courses)
- deepening differences in the reached education level of Roma communities and major society

#### **Environment, availability of transport and competitiveness**

- deterioration in quality of air caused by increased share of solid fuel burning during energy production process
- delay in construction of key transport corridors and communications, in particular motorways and expressways
- further increase of transit transport through the CR's territory, congested roads
- decrease in mobility in the regions with low level of transport infrastructure and transport services and access
- decrease in share of passenger rail transport because of moral and technical insufficiencies
- increasing anthropogenic burden on the environment in relation to economic development
- underestimation of risk management, prevention and solution of environmental and technological risks, insufficient protection against some natural forces

#### **Regional development and competitiveness**

- growing differences in basic socio-economic characteristics at regional level
- regional disparities in employment, further lagging of problem regions and disturbing social stability
- concentration of certain sectors only in some regions, possibility of instability of regional economy
- persistent negative image of certain regions
- absence of regional innovation policies and of support of innovation potential development in regions
- increasing difference in quality of life between metropolitan and other regions
- enforcing of spatial social segregation in the cities
- devaluation of cultural potential, loss of cultural traditions and specific regional features
- unfavourable age structure of population in rural areas, continuation of the process of depopulation of peripheral areas

## 6. ASSESSMENT OF THE IMPACTS OF IMPLEMENTATION OF THE PROGRAMMES 2004-2006

Prior to accession, the CR formulated its programme Structural Funds for the period 2004-2006. Nearly Prague) was included under Objective 1: support to Programmes are designed to provide assistance to the Development and Multifunctional Agriculture, Human the Joint Regional Operational Programme. For the C assistance within the framework of Objectives 2 and were drawn up the pertinent Single Programming Docu

Implementation of the Operational Programmes was la *i.e.* impacts of these interventions cannot be evaluate from the way in which money has previously been cha evaluated at monthly intervals on the basis of moni

sof sourcing the assistance provided from EU's the entire territory (except the Capital City of lagging regions. The following Operational ese regions: Industry and Enterprise, Rural Resources Development, Infrastructure and apital City of Prague, included in this kind of 3 of the EU regional and structural policies, ments.

unched following the accession to the EU, d yet. To ascertain extent this can be deduced nnelled from the Structural Funds, which is tore data.

*Progress of Structural Fund spending as of 31st Ja*

Table 12 in the Annex shows the flow of finances fr as of 31 January 2007. Agreements signed to date allocations. Effected expenditure accounts for more reached the level of 7.5 billion CZK. As far as the concerned, the CR was able to use up all the money.

The mid-term progress report on CSF/OP implementati specific CSF objectives will be achieved. It used t output and results as at 15 December 2005 for indiv respective partial objectives.

*nuary 2007*

om the Structural Funds and the Cohesion Fund amount to more than three-fold the 2004 than this figure and certified expenditure have application of the +2 rule for 2004 allocation is

on assessed the level of probability that he funding levels and current indicator values for idual measures directed at implementing the

Tab.1: Forecast achievement of specific objectives based on the implementation progress as at 15 December 2005

Specific objective	Evaluation and achievement forecast
<b>I Specific objectives for creating suitable conditions for the business environment</b>	
<b>Improving the business infrastructure</b>	Progressing according to plan, indicating that <b>the objective will be achieved.</b>
<b>Improving the institutional infrastructure to facilitate business development</b>	Some measures fall well below the planned levels and only a small percentage of projects are producing the expected benefits, some, despite a late start, are approaching their objectives and we can assume that funding will gradually increase; measures have been adopted to raise absorption levels. We project that <b>the objective may be achieved.</b>
<b>Improving facilities for transfer of technologies</b>	Despite starting late, some measures are approaching their objectives and we can assume that funding will gradually increase, some are progressing according to plan. We project that <b>the objective will be achieved.</b>
<b>Reinforcing mechanisms for cooperation between research centres and industry</b>	Progressing according to plan, we project that <b>the objective will be achieved.</b>
<b>Support for innovation capacity in the private sector and increasing added value and work productivity</b>	Progressing according to plan, we project that <b>the objective will be achieved.</b>

<b>II. Specific objectives for Making the labour market more flexible</b>	
<b>Reducing the gap between supply and demand in the labour market</b>	Some measures fall well below the planned levels and only a small percentage of projects are producing the expected benefits, some, despite a late start, are approaching their objectives and we can assume that funding will gradually increase, some measures are almost on schedule. We project that <b>the objective may be achieved.</b>
<b>Modernisation of training facilities to enable them to respond effectively to the demands of the labour market</b>	Despite starting late, some measures are approaching their objectives and we can assume that funding will gradually increase, some are progressing according to plan. We project that <b>the objective will be achieved.</b>
<b>III. Specific objectives for Improving the quality of infrastructure</b>	
<b>Improving the quality of the road infrastructure</b>	Progressing according to plan, we project that <b>the objective will be achieved.</b>
<b>Improving the quality of the railway infrastructure</b>	Progressing according to plan, we project that <b>the objective will be achieved.</b>
<b>Improving the quality of other technical infrastructure</b>	Progressing according to plan, we project that <b>the objective will be achieved.</b>

Source: CSF Evaluation of Mid-Term Progress of Implementation

The evaluations above, although only preliminary and indicative, show that despite a slow start to implementation and certain complications, the CSF objectives can be achieved. In only two of the objectives listed a slight risk remains that they may not be fulfilled: "Improving the institutional infrastructure to facilitate business development" and "Reducing the gap between supply and demand on the labour market." However, the Managing Authorities for both these programmes have reduced this risk by introducing changes and modifications to those ineffective measures that should improve the rate of funding and facilitate material progress.

### *Conclusions for the 2007–2013 period*

It is clear from the results of the evaluation of mid-term progress and the partial evaluation studies, as well as from practical experience of the implementation of Operational Programmes, that common problems do exist in terms of the using resources from Structural Funds. Resulting from this, during the next programming period complex measures must be adopted to resolve those problems that have been identified, which:

- produce a simple and synoptic structure of implementation wherein the applicants will orient themselves easily,
- simplify the complicated administrative processes, thus contributing to a more speedy execution thereof,
- make an adequate administrative capacity available, including the preparation of high-quality, highly skilled staff capable of responding to the clients' needs in a flexible manner<sup>24</sup>,
- assure an adequate absorption capacity for the EU Funds by implementing quality projects.

As noted above, the weaknesses in the public administration are a major obstacle in terms of the capability to implement and fulfil the objectives of the cohesion policies. Moreover, the negative impact of the existing problems in the area of public administration reach beyond the cohesion policy issues themselves and affect the entire Czech economy and society. For these reasons, reform in the area of public administration is a key objective. The elimination of barriers, which diminish administrative capacity in the area of cohesion policy implementation,

<sup>24</sup> See: Causes of the slow drawdown of financial resources from EU Structural Funds and recommendations for expediting the process

strengthening of absorption capacity and a shift away from passive bureaucracy to active implementation are issues that will be handled through technical assistance.

Strategies and the goals and priorities of the operational program resulting from it, is the response to the current needs of the CR and EU, which are exposed to increased competitiveness on a global scale, which already have a negative impact on a number of branches and areas, defined by both material and territory with the use of positive experience in the field of entrepreneurial support, entrepreneurial infrastructure, revitalisation of cities, development of other professional education and the integration of specific groups of inhabitants threatened by social exclusion. With the use of examples from successful methods of implementation abroad and with consideration paid to the specific conditions in the CR, specific measures were proposed on the basis of strategies, SWOT analysis and evaluation studies.

The implementation of effective management principles in the area of the cohesion policy should act as a model for other public administration authorities. The actual reforms to the system of public administration will be supported through a separate priority – Smart Administration.

## 7. STRATEGY FOR THE 2007–2013 PERIOD

### 7.1. Starting points for shaping the strategy

The CR places emphasis on the EU principles to implement the Lisbon strategy and, at the same time, also reflect the Czech specifics, *i.e.* the threat of increasing regional and social disparities to a certain degree.

*"Europe must re-establish the fundamentals of its competitiveness, boost its growth potential and productivity and strengthen its social cohesion, while focusing mainly on knowledge, innovation and optimization of the human capital."*

*"To reach this objective, the Union has to mobilize all suitable resources at the Member States level as well as at the Community level - including the cohesion policy – in three strategic dimensions (economic, social and environmental), in order to better utilize their cooperation within the general framework of sustainable development."*<sup>25</sup>

The strategy adjustments in the area of cohesion policy stem from the following principles:

- the strategies have to reflect the openness of the Czech economy and its engagement in the EU common market, thus making it possible to utilize a suitable combination of endogenous and exogenous factors of competitiveness;
- interventions directed towards regions possessing a high growth potential, well-defined in terms of subject matter as well as of territorial coverage;
- focusing support on the driving forces of growth and employment to achieve a significant multiplicative effect. The cohesion policy to be focused on investing into tangible assets – infrastructural development in the area of business enterprise, R&D and innovation, technical, social and healthcare areas, systemic changes (public administration, the labour market, development of educational systems, culture, public health), and the development of human capital;
- improved management of public affairs. Thanks to the cohesion policy the interventions are now also geared towards modernizing and upgrading the effectiveness of the public administration, at all of its levels. In view of the fact that effective public governance exerts an important effect on the effectiveness of interventions by both national and European policies at the national, regional and local levels, the cohesion policy included, this area is regarded as an inseparable part of the NSRF strategy;
- support for the application of a comprehensive approach to territorial cohesion. The cohesion policy pursues a balanced development of territory by conceiving and designing territorially defined strategies which make it possible to horizontally interlink the interventions taking the form of the different priorities or operational programmes. By means of a comprehensive and strategic approach it develops the local potential and optimizes interventions in the territory in question, thus contributing to the sustainability of both the economic and the social structures present in the different types of territories (functional regions, micro-regions, urban and rural areas);
- sustainability of economic growth in close link to environmental improvements. The NSRF for the 2007 – 2013 period is based on respecting the environment as the foundation for sustainable development. High-quality environment is an indispensable prerequisite to a sustainable economic growth;
- the development strategy as proposed under the NSRF is complementary with the other Community policies implemented by the CR, as well as with the CR's own policies. The national grant scheme will be gradually harmonized so as to become complementary with

<sup>25</sup> See Community Strategic Guidelines for Cohesion (CSG)

the NSRF strategy, or with those interventions which are implemented via the Operational Programmes.

Meeting the European objective of making the EU more competitive is dependent on boosting the competitiveness of the Member States and their regions. Along-term competitiveness will allow the country to embark on a course of sustainable economic growth, representing an indispensable prerequisite to gradually closing the existing performance gap between the CR and the most advanced countries or regions. By achieving a rate of economic growth superior to that of the EU average, the CR will be able to eliminate its long-term lagging behind and help attain its primary objectives in the area of the cohesion policy. The fundamental aspect of value in formulating the strategy is sustainable development in all its dimensions *i.e.*, economic, social and environmental, encompassing in particular:

- competitiveness combined with the EU's effort to modernise (the Lisbon process), is perceived as a tool of economic and social transformation (the knowledge of economy and the knowledge of society). The NSRF strategy is linked to the NRP, which it implements in selected areas;
- the economic cohesion, *i.e.* mitigation of any significant inequalities among Member States or regions in economic performance, constituting a long-term strategic objective of the cohesion policy;
- the social cohesion as yet another long-term strategic objective of the cohesion policy, focused on the quality of life for the population;
- territorial cohesion striving to adopt a comprehensive approach to territorial development;
- equal opportunities for all, underlining the equality of opportunities between genders. The topic of equal opportunities is reflected in all areas where there are potential risks of discrimination on the grounds of gender, age, race, health condition, sexual orientation or religion. This topic assumes a key role in connection with employment, dealing with the problems of unemployment and securing equal opportunities for women and men on the labour market;
- improving the state of the environment as a basic prerequisite for sustainable economic development and the quality of life of citizens.

The NRP is a binding political document setting out the priorities and measures in the areas of macro-economy and micro-economy and in the area of employment policy for the 2005 - 2008 period; its objective is to strengthen the political responsibility for implementing the contents of the Lisbon strategy and to allow for evaluation of the outlined reform steps. The NRP was drawn up based on methodological guidance documents - Integrated Guidelines for Growth and Job Opportunities (2005-2008). The process of formulating the NRP is based on the Sustainable Development Strategy of the Czech Republic and the Strategy of Economic Growth. The National Strategic Reference Framework and the National Development Plan of Economic and Social Cohesion Policy reflect the relevant priorities of the NRP for the 2007-2013 period.

The essential reform steps under the NRP, responded to by the NSRF, are to create an environment which stimulates research, development and innovation including their commercial utilization in business practice, to modernise and expand transport, information and communication networks and to create a high quality business environment facilitating the launching of new companies and exhibiting a low administrative burden to entrepreneurs in general, while providing a flexible labour market in the field of employment. With regards to integrating people on the labour market, the focus of attention is on those persons who find themselves at either the onset or near the close of their professional careers. The reforms focused on development in the education area will enhance the quality of the workforce, expand the opportunities for access to education and support the capacity required to cope with the exacting demands imposed by the changing labour market.

From the very beginning of the process of creating the NSRF, a great deal of care has been taken to focus on the close tie of NRP measures to prevent inconsistencies or a lack of compatibility

between different proposed priorities. As a result, (microeconomic and employment) measures that are part of the objectives set out under the NSRF. These can be co-financed only applies to the measures that are being implemented devoted to employment and education since the Reference Framework does not deal with macroeconomic issues. This synergy during the setting of the NSRF priorities was primarily under the coordinated competence of two entities (MRD and MF) and it was also guaranteed by the MRD, in coordination with the Economic and Social Cohesion Policy that was defined under the Act on support for regional development. With a view to coordinate and implement the NRP, the Government established the Horizontal Working Group and other interministerial working groups, which were also composed of representatives of the different ministries who also participated in the elaborating of the NSRF.

The synergy during the process of defining the NSRF priorities was also coordinated through the intense initiatives of the MCC and its working groups. Relevant partners (key ministries, representatives of local and regional self-governing authorities, economic and social partners, educational institutions, representatives of the non-profit sector) were brought into the NSRF preparation process through the this Committee in a joint effort to strictly respect the 'partnership principle', which was also used in the evaluation of the NRP in 2006.

The General Regulation defines the limits as to how the Economic and Social Cohesion Policy should contribute to the achievement of the objectives that are part of the Lisbon Strategy. However, these limits are only mandatory for the countries of the EU-15 and not for the countries which joined the EU on 1 May 2004 or later. Despite this fact, the CR did not omit to stress the conformity of the proposed strategy with the NRP and the Lisbon Strategy. The integration with the NRP will also be reflected in the individual operational programmes for the 2007–2013 period, which envisage higher contribution of the Lisbon initiatives than in the previous programming period. Some of the operational programmes will focus directly on support for the transfer of innovation. They will be consistent with the European dimensions of intervention and focus on the development of improved, high quality human resources, as required for the knowledge economy. All operational programmes contain a section dealing with relations to the NRP and compliance with the Lisbon Strategy. It can be assumed that the share of Lisbon-related activities should be getting closer to the shares set by the European Council for the countries of the EU-15, especially towards the end of the programming period.

The relations between the topics of the NRP and the strategy in the area of Economic and Social Cohesion Policy are outlined in the description of individual strategic objectives of the NSRF; part B of the Annex presents their overall summary.

## 7.2. The Strategy

### 7.2.1. The Czech Republic's Post-2013 Vision

The Czech Republic and its regions rank among the most developed countries and regions of Europe and the world. The Czech society and its economy have proved themselves to be able to compete in the global competition. The CR's position continues to improve with respect to both the Central European and the European context. The country has an advanced and well-structured civil society with a well-functioning social and civil dialogue. It is an attractive place for its citizens, the citizens of other EU Member States and people from other parts of the developed world as well as for domestic and foreign investors.

The structure of the Czech economy is focused around progressive sectors in which the country has been able to gain a strong position in world markets. Education, cultural advancement,

entrepreneurial spirit, along with research and development have been the driving force behind the country's competitiveness. The CR is also an attractive tourist destination.

An open and highly educated society, with developed and efficiently operating social and healthcare systems, allows for the full involvement of previously marginalized parts of the population, guaranteeing equality of opportunity and with a high level of cohesion, the ability to successfully deal with the consequences of the negative demographics situation and its impact on the pension and healthcare systems. The labour market allows for an easy balancing out of supply and demand and an ability to flexibly respond to local problems. The number of people employed is increasing and the unemployment rate has dropped substantially.

The quality of the environment has risen markedly. Significant old environmental burdens have been removed, the society is obtaining and using the requisite energy more effectively, produces substantially lower amounts of waste and has considerably decreased the contamination of the environment. The trend of declining biodiversity has been stopped.

The major transportation roadways have been completed and the overall availability of transport has been improved. The quality of the national and regional transport roads is consistent with the standards of the most advanced countries. A significant part of all transport employs effective, environmentally-friendly modes of transport.

The diversified development of the individual regions is consistent with the country becoming more competitive or with the process of mitigating unjustified regional differences. Natural centres at a regional and micro-regional level have been strengthened and have become the drivers for regional and local economic growth and the sources of innovation for their hinterland. The trends producing new, unjustified regional disparities, which would cause the development of selected regions to lag behind, provoke undesirable waves of migration and weaken the development potential, have been eliminated.

In partnership with regional and local self-governments, the Government guarantees a minimum required level of services to be provided to the population in the public interest. Through partnerships, regional actors participate in the formation and implementation of local development strategies.

The Government has created a highly efficient system of public administration (at all administrative levels), which uses modern management methods and cutting-edge information and communication technologies for the administration of public affairs. The system is able to actively detect and analyze problems and find their solutions.

### 7.2.2. Global Objective

***The global objective of is to transform CR's socio-economic environment in compliance with the principles of sustainable development, so as to make the CR an attractive location for investment as well as for the work and life of its citizens. By means of incessant strengthening of the country's competitiveness, a sustainable development will be achieved in order to attain the economic level of EU-25. The CR will strive to attain employment and to pursue a balanced and harmonized regional development, which will result in enhancing the quality of life of the country's population.***

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The competitiveness and sustainable growth can be attained thanks to a combination of internal and external factors, *i.e.* of the capability to eliminate internal barriers and weaknesses and to put to an effective use the opportunities offered by the country's accession to the EU and the globalized economy.

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The factors of competitiveness include:

### **A Competitive Czech economy**

- an open business environment (system),
- a modern economic structure (progressive industries, sophisticated services, applied innovation centres),
- a modern system of research and development and of innovative activities, producing outputs which find application in the business sphere (technology centres, poles of excellence),
- implementation of progressive technologies and modern forms of management (to boost productivity).

The aforementioned factors will be demonstrated in the growth of labour productivity and of other production-related factors, in the strengthening of productions yielding a higher value-added, in making the enterprises more competitive in foreign markets and in the transition to a knowledge economy (switching from the present "low road" to a "high road" strategy<sup>26</sup>).

### **An Open, Flexible and Cohesive Society**

- an inclusive and flexible labour market with a skilled and flexible workforce, capable of grasping the opportunities generated at both the global and the European levels,
- a society that will keep enhancing its education potential (life-long learning) flexibly and systematically, while adapting it to suit the needs of the modern economy, and thereby will take on the character of the knowledge society,
- a society striving to forestall its internal problems, capable of coping with such problems actively (workforce mobility, migration, aging, disease prevention) and guaranteeing equal opportunities (social exclusion),
- an effective system of administration of the public affairs, including the providing of the public services and infrastructure at all levels.

### **An Attractive Environment;**

- environmental protection and improvements, taking care of and making use of the landscape potential, prevention of and dealing with risks,
- development of environmental infrastructure,
- availability of territory, existence of transport and communication links and connections.

### **A Balanced Development of Territory;**

- stimulation of the development potential of regions,
- strengthening the role of towns as centres of regional growth and development, addressing their internal problems,
- a harmonious development of the territory and mitigation of the existing disparities (addressing the structural problems),
- sustainable development of rural regions (support of new economic activities).

With regard to the significant territorial variability, it is necessary that the interventions made bear consideration to the local conditions (natural, economic, social, and cultural) and that strategy be directed toward a systematic development of the local potential.

<sup>26</sup> See, e.g. recommendations of the technical assistants for shaping the strategy of the NRP and NSRF, Ecorys. See also projects of the Community Support Framework Starting points.

### 7.2.3. Horizontal themes and "gender mainstreaming"

Horizontal themes are cross-sectional type issues which penetrate the entire strategy of the Reference Framework and, as such, they are reflected in the relevant priorities of the NSRF. Both of the following themes are implicitly included in the NSRF's global objectives.

In accordance with Articles 16 and 17 of General Regulation, the following topics are included in the horizontal themes:

- Equal Opportunities
- Sustainable Development

In terms of the programming related to the economic and social cohesion policy, these horizontal themes play a strategic and long-term role. Equal opportunities and sustainable development are among the EU's primary objectives and, as such, they are key aims for the use of the Structural Funds. Their inclusion in NSRF priorities contributes to the improvement of the chosen strategy and provides the planned initiatives with an added value, which horizontal themes certainly represent.

#### *Equal Opportunities*

The equal opportunities principle denounces discrimination on the grounds of gender, race, ethnic origin, religion, disability, age or sexual orientation. The theme of equal opportunities also applies to other individuals who might be at risk of social exclusion – such individuals could include migrants, the long-term unemployed, individuals with a low level of qualifications, individuals from regions with poor accessibility, drug addicts, individuals released from correctional facilities or some school graduates; these categories together form the groups of people at risk of social exclusion. Great emphasis on disadvantaged individuals (health, social-cultural etc.) will be placed within the scope of the ESF financed programs. One of the important issues in this area is the equality between men and women. The theme of equal opportunities is reflected in the difficulty of access for the members of these particular groups of the population to the labour market, their access to education or in the case of women their access to higher level management and academic positions, areas such as business, the information society or transport and urban development.

Along with the non-discrimination principles, the "gender mainstreaming" principle is an integral part of this horizontal theme. This principle is taken into account not only during the preparation of the relevant interventions of the operational programmes, but also is being reflected within the strengthening of the gender competence of the implementing structure.

From the horizontal themes perspective, the interventions of the strategic part of the NSRF can be broken down into the following activities:

- Activities that are directly affected by the equal opportunities theme. These activities include the following priorities: Education, Increasing employment and employability, Strengthening of social cohesion and
- Activities in which the relevance is not as direct, but in which the theme of equal opportunities must also be taken into consideration. These include priorities such as Smart Administration, Improving transport accessibility and Balanced regional development.

#### *Sustainable Development*

The primary themes related to sustainable development are those related to the environment. This is because most of the problems that arise with further consequences on sustainable development result from the conflicts between the various elements of the environment and economic activities. The environmental aspect is an important parameter that needs to be taken into account when adopting the relevant policies and social and economic concepts and when making investment decisions.

The individual environmental problem areas are described in detail in the analytical section of the NSRF in Chapter 3.4. and the strategy directly deals with environmental issues through its priority Protection and improvement of the quality of the environment. However, at this point we must stress the cross-sectional character of the theme – i.e. sustainable development perspective must also be taken into account in those interventions that are not directly aimed at the environment. This specifically applies to reducing energy demands, the implementation of new and environmentally friendly technologies. Another key area where sustainable development plays a prominent role is the priority Education.

**7.2.4. NSRF strategic objectives**

**Strategic objective I: Competitive Czech Economy**

*Reinforcing the competitiveness of the business sector by increasing its productivity and speeding up sustainable economic growth based on systematically developed innovative potential of a strong and progressively structured Czech economy, generating robust and sustainable economic growth.*

*Significant relations to the CSG*

The strategic objective Competitive Czech Economy takes into account the CSG in the area of support for development of innovations and innovative business activities, cooperation of business entities with scientific research institutions, support for creating conditions for foundation of new business entities and development of the existing ones, including access to financial resources, and mutual cooperation among business entities.

It focuses on strengthening the level of research and technological development, on the development of cooperation between public and private R&D centres, utilization of the results of R&D in the form of production and product innovations, systemic assistance for R&D in SMEs and for transfer of technology and increase of investment in human resources in the R&D area.

It respects the role of tourism as an important development activity diversifying economy, facilitating development of business activities, and contributing to increasing the employment level and creation of new jobs.

*Relation to the NRP*

The strategic objective Competitive Czech Economy contributes to the implementation of the NRP through two priorities Competitive business sector and Support for R&D capacities for innovations that respond to eight (or respectively nine) priorities of the NRP. The priority Ensuring human resources in the R&D sector was newly added in 2006.

Tab.2 The strategic objective Competitive Czech economy and the link to NRP

Strategic objective / priority of the NSRF	Measure of the NRP
<b>Competitive Czech economy</b>	
<ul style="list-style-type: none"> <li>- Competitive business sector</li> <li>- Support of R&amp;D capacity for innovation</li> </ul>	<ul style="list-style-type: none"> <li>- Increase public expenditure on R&amp;D in the year-on-year terms</li> <li>- Support investments into research</li> <li>- Increase intensity of the use of tools protecting intellectual property rights by R&amp;D institutions and enterprises</li> <li>- Develop innovative infrastructure</li> </ul>

Strategic objective/priority of the NSRF	Measure of the NRP
	<ul style="list-style-type: none"> <li>- Improve access of innovative companies to funds</li> <li>- Increase professional mobility through effective retraining systems</li> <li>- Support cooperation of employers, employees and educational institutions, as well as other professional training institutions.</li> <li>- Support further training and education in the business sector.</li> <li>- Ensuring human resources in the R&amp;D sector.</li> </ul>

The NRP will mainly contribute to increasing the quality of the business environment, including elimination of administrative barriers. An important factor which may impact the business environment is the creation of a modern tax administration with high effectiveness and productivity. Important topics include simplification for start-up entrepreneurs, development of innovative infrastructure (scientific parks, business incubators and technology transfer centres) and services supporting innovative environment, access of companies to funding, reduction of material and energy demands of the industry.

In the area of R&D, the emphasis is on increasing the intensity of utilizing the tools protecting intellectual property rights.

#### *Key relations to other strategic objectives*

Achieving the objective of **Competitive Czech Economy** is dependent on key relations to other strategic objectives:

- the strategic objective of **Open, Flexible and Cohesive Society** by developing human resources required to meet the needs of the economy and in particular for a flexible, high-quality labour market and by motivating people to start their own businesses. A close relation is required in terms of cooperation between the corporate sector and the educational and research institutions in supporting growth in competitiveness. Educational programmes must be practical in their design and the active employment policies must correspond to the current needs of the labour market,
- the strategic objective of **Attractive Environment** by creating the right conditions for business and investments. It is necessary to attain such an environmental quality to be able to launch the process of properly situating and establishing new business start-ups, to support the expansion of branches falling within the definition of eco-industries and to permit the exploitation of environmentally friendly technologies; it directly responds to enforcement of sustainable use of energy supported by the Attractive Environment objective, by stimulating entrepreneurial activities in the area of reducing energy demands on manufacturing and consumption of fossil primary energy sources and by supporting start-up entrepreneurs activities in areas leading to an increased use of renewable and secondary energy sources and increased efficiency in energy power and heat production, transmission and consumption. The solution of overlaps in the area of energy efficiency and RES between the OPEI and the OPE is resolved by contract between the MIT and MoE on the overlaps in the area of renewable energy sources and energy savings.
- the strategic objective of **Balanced Development of Territory** by supporting local economy as part of an effort to transform the regional economic structure – to support the development of progressive businesses in towns and cities, to diversify the rural areas, and to speed up the transformation of economically weak and structurally affected regions and micro-regions.

The strategic objective of **Competitive Czech Economy** will be implemented by means of the priorities with the following specific objectives:

### **Priority A: Competitive Business Sector**

**Priority Objective:** *A competitive, strong and innovative Czech business sector, attaining high additional values and high labour productivity and capable of asserting itself in both the EU Internal Market and the other international markets.*

**Context:** To boost the competitiveness of Czech enterprises and eliminate obstacles preventing their growth. Systematically support investments that enhance the potential of the Czech economy to innovate by developing the infrastructure for the support of business activities while also supporting consulting and strategic services that are designed to facilitate the growth of enterprises, to improve their productivity and management efficiency through innovation.

To improve the access of SMEs to funding and eliminate other obstacles in the financial area by creating tools to support start-up businesses (soft loans, venture capital funds, guarantees, etc.) and other types of measures to assist SMEs in gaining access to financial instruments, in particular with respect to innovative processes.

**Focus of Key Interventions:** The implementation of the strategic objective under this first priority focuses on strengthening **incentives for business activities** by offering preferential funding and services for launching and operating entrepreneurial activity. This support will include establishment and application of new financial instruments, such as Microcredit Funds and Venture Capital Funds, provision of preferential (soft) loans, in particular the subordinated ones, guarantees facilitating access of SMEs to external providers of finance, in particular bank loans/credits. Another initiative will be the operation of the Business Angels Networks which will primarily focus on newly established and expanding businesses such as spin-off and start-up companies incubated in the given "Business Innovation Centre" and on the acceleration of the development of medium-sized enterprises. The financial instruments supported will also include Patent Funds to support protection of intellectual property for SMEs, companies operating in the given Business Innovation Centre, and others.

The process of foundation, operation and further development of **business infrastructure**, in particular of the existing industrial parks, recovery of the existing brownfields for business activities, business incubators or Business Innovation Centres, creating conditions for establishment and development of small and medium-sized innovative companies focusing on implementation of new and environmentally friendly technologies and production of competitive products and services, will be supported. Attention will be paid to reduction of material demands of production.

In the CR, the system of **high-quality consultancy services**, which would assist - in particular SMEs - in utilization of all market opportunities, increasing their productivity by implementing progressive methods of management, transfer of "best practices", and provide educational, support and information services and consultancy services in the area of international trade and implementation of joint participation of enterprises in trade fairs, exhibitions and missions, evaluation of available information on verified development trends of new R&D knowledge and innovative processes and aspects of their implementation in industrial practice, on the best forms of business activities, and generally on management methods and systems applied in the world and in the CR, is insufficiently developed.

Interest of entrepreneurs in cooperation and common action facilitating their access to markets, in particular integration of SMEs into business networks, which will enable their competitiveness to increase, and also in subcontractor chains of big enterprises, will be stimulated. The support will continue to aim at the establishment and development of regionally concentrated sector groups of

business entities and support institutions – innovative clusters. The increased competitiveness of the business sector will have a positive impact on productivity. As part of the fulfilment of objectives associated with the horizontal theme of equal opportunities, support will be provided for initiatives of enterprises to organize work in a manner that will allow for the natural integration of professional and family life along with initiatives of enterprises to establish required institutions rendering childcare services.

**Implementation:** The priority Competitive business sector is implemented by means of the priority axes: the Establishment of Firms, the Development of Firms, the Effective Energy, the Environment for Enterprise and Innovation, the Business Development Services within the **OPEI**.

Financial engineering instruments will be used in the CR. Furthermore, the CR is also considering participation in the **JEREMIE Initiative**, which focuses on support for access of SMEs to funding and financial instruments. The goals of these priorities shall be supported also partly by the **OPHRE and the OPPA** through their priority axes (OPHRE - Adaptability and OPPA - Support for the Development of Knowledge Economy) aimed at support of adaptability and competitiveness of entrepreneurs and entrepreneurship.

### **Priority B: Support of R&D Capacity for Innovation**

**Priority Objective:** *Strengthening and increasing the efficiency of capacities in the area of R&D and innovations, with close functional links to the business sector. Consistent upgrading of the involvement of knowledge economy in the national economy.*

**Context:** Reinforcing and adapting publicly accessible research capacity to reflect the needs of enterprises and to collaborate with them in specific areas of research that are essential in building up a long-term competitiveness of the Czech economy within the context of the European Research Area and global trends.

**Focus of Key Interventions:** **Development of R&D capacities for strengthening innovations** in regions, i.e. adaptation and development of public R&D capacities and their integration into the European Research Area, will be supported. The objective is to facilitate cooperation with both the domestic and foreign business sphere, which will focus on the creation of conditions for the development of applied research and strengthening the innovation process. Development of infrastructure for applied research, technological development, distribution of the R&D results and their practical application in the form of innovations will be supported. Conditions for close cooperation between research and educational centres and the business sector in the establishment of innovation networks, innovation centres, and technology transfer centres will be created. Centres of excellence and their integration into innovation clusters will be systematically supported.

Support will be directed towards the establishment of national technological platforms, cooperation between the public and private sector within the Long-term Basic Trends of Research<sup>27</sup>, integration of Czech research institutions and enterprises into international technological platforms, which will enable an increase in the public and private investment into R&D and innovations.

**Implementation:** The priority Support of R&D capacity for innovation is implemented by means of the priority axes Development of Research and Development Capacities, and Development of Capacities for Cooperation of the Public and Private Sectors in Research and Development of the **OPR&DI**.

<sup>27</sup>The Long-term Basic Trends of Research were defined in the Government Resolution No. 1192 from 18 October 2006. The trends are the following: Sustainable development, Molecular biology, Energy resources, Material research, Competitive engineering, Information society, Security research, and Social sciences research.

The strengthening of innovation capacity in the business sector is addressed through the priority axis Innovation of the **OPEI**. Synergetic effects will be reached in the direction of the priority axis Tertiary Education, Research and Development of the **OP EC**, where the motivation will be supported to study exact fields, operations in research activities and human resources in research activities and development. The **OP PA** will also contribute to attaining the objectives of the priority through the priority axis of Support for the Development of Knowledge Economy.

To assure the necessary synergies the following arrangements will be provided in the relevant OPs. For the priority axis 1 and 2 of the OPR&DI (which should closely focus on the Long-term Basic Trends of Research<sup>28</sup>) the coordination and synergies between the OPR&DI and the OPEI would be assured as follows:

- specific areas of intervention (the Long-term Basic Trends of Research), selection criteria and calls for proposals should be decided by the Monitoring Committee of the OPR&DI after discussion and subsequent agreement of the Monitoring Committee of the OPEI;
- the projects under OPEI that carry on a project already financed from the OPR&DI may profit from a bonus agreed by the two MAs and approved by the two Monitoring Committees;
- joint representatives in the Evaluation Committees;
- joint database of evaluators;
- coordination meetings between the two MAs chaired by the NCA of the NSRF should take place on a regular basis (e.g. every 6 months).

Similar coordination arrangements will be provided to assure synergies between the OPPA, resp. the OPPC on one hand, and the OPR&DI and OPEI on the other hand.

The efficiency of this coordination is in responsibility of the NCA of the NSRF.

### **Priority C: Development of Sustainable Travel and Tourism Sector and Utilization of the Potential Offered by Cultural Heritage**

**Priority Objective:** *Increasing the share of tourism in the economy of different regions as well as of the CR as a whole through an improved utilization of the potential for expanding the travel industry, including the development of cultural heritage.*

**Context:** Support of efforts to make effective use of the available potential for sustainable development of the travel and tourism sector in order to make the CR an attractive destination over the long term.

**Focus of Key Interventions:** In the area of **tourism**, attention will be focused on sustainable development of the existing attractions and utilization of natural resources and the cultural heritage, while respecting natural values of the territory and the conditions for its protection and the protection of the cultural heritage, removal of barriers hindering their effective and sustainable utilization, construction of basic and supporting infrastructure. Production and offer of products, programmes and activities of regional and transregional importance, which will be attractive for both domestic and foreign tourists, will be supported.

In case of **culture**, the investment will focus partly on reconstruction and utilization of both movable and immovable cultural heritage, partly on the development of infrastructure for cultural services and on improvement of the offer of cultural services. In both areas, especially activities which have direct impact on economic growth and social issues (creation of jobs, GDP creation)

<sup>28</sup> The Long-Term Basic Trends of Research currently comprise the following seven priority fields: Sustainable development, Molecular biology, Energy sources, Material research, Competitive mechanical engineering, Information society, Security research.

and indirect impact (strengthening social cohesion of regions and making regions more attractive for their inhabitants, visitors and investors) will be supported.

The insufficient range and quality of travel and tourism services limits its development in the region of the CR. Therefore, attention will be focused on the cultivation of the offer, launching and development of business activities in the area of tourism, improving competitiveness of individual entities, enhancing their own management and development of destination management. Support will also be aimed at the establishment of cooperation networks for promotion of the respective attractions, development of tourism in the territory and transfer of "best practices".

**Implementation:** The priority Development of sustainable tourism sector and utilization of the potential offered by cultural heritage is implemented by means of the priority axes Development of the travel and tourism sector within the ROPs and also the priority axis National Support for Tourism of the IOP. This implementation will be broken down according to the following areas: (i) Organizing and managing tourism and an effort to standardize the quality of tourist-related services and improvements in the quality of marketing of the CR in the field of the tourist industry; and, (ii) in areas such as revitalization of our cultural landmarks, modernisation of facilities and equipment used for storage, protection and further utilization of national cultural heritage and modernisation of cultural services.

## Strategic Objective II: Open, Flexible and Cohesive Society

*The creation of a modern civil society open to outer opportunities, a society that is able to respond to such stimuli. The objective is to support the development of an internally diverse, socially aware and cohesive society and to contribute to improving the quality of life of its citizens, to create a modern educational system that would be conducive to the development of a knowledge economy and become the driving force behind an efficient and flexible labour market, which in turn will boost the strong capability of the economy to create new and high quality jobs.*

### Relation to the CSG

The strategic objective of Open, Flexible and Cohesive Society reflects the goals of the CSG in the area of investment into human capital through better education and qualification, support of active instruments ensuring timely identification of needs in the area of education, cooperation between educational and research institutions, research and technology centres and/or business entities and NGOs. At the same time, it ensures development of human resources for R&D. It also focuses on innovative educational reforms which will enable both individuals and whole groups to take part in further education in the course of their lives.

In the area of increasing employment and employability, the strategic objective responds to the effort to increase adaptability of workforce and enterprises and flexibility of labour markets, to improve coordination and implementation of active instruments ensuring timely identification of needs in the area of employment. It is also aimed at increasing the number of years that citizens can be economically active and productive, preventing social exclusion due to poor health or old age, supporting the inclusion of individuals that are at risk of social exclusion on the labour market, enhancing their employability through their involvement in vocational education and training, but community care services, and strengthening of equal access to the information society services. The FIS is designed so that the interventions within its priorities reflect and react to the specifics of individual regions, particularly the regional differences in the rates of employment and unemployment. On the level of operational programmes, the OP HRE will involve supporting the formation and development of a system for predicting the changes on labour market and dealing with gradual and sudden changes in employment, i.e. expected future labour and qualification requirements. This capacity will allow predicting changes in the labour

market both within the whole country and within individual regions and industries. Thanks to this information it will be possible to target more precisely the interventions of the OPHRE, but also other operational programmes. Special emphasis will be put on interventions in regions most affected by structural unemployment, i.e. mainly in regions NUTS II Moravia-Silesia and North-West.

The strategic objective further responds to those parts of the CSG where the Member States are encouraged to build efficient public administration and public services at national, regional and local level. It aims at strengthening institutional capacities and efficiency of public administration and public services at all the aforementioned levels.

### *Relation to the NRP*

The strategic objective Open, Flexible and Cohesive Society contributes to the implementation of the NRP with all of its individual priorities. It responds to a total of 18 priorities of the NRP.

*Table 3: The strategic objective Open, Flexible and Cohesive Society and the link to NRP*

Strategic objective/priority of the NSRF	Measures of the NRP
<b>Open, Flexible and Cohesive Society</b>	
<ul style="list-style-type: none"> <li>- Education</li> <li>- Increasing employment and employability</li> <li>- Strengthening of social cohesion</li> <li>- Development of information society</li> <li>- Smart Administration</li> </ul>	<ul style="list-style-type: none"> <li>- Create a uniform nationwide high speed ICT infrastructure.</li> <li>- Support the development and effective use of ICT.</li> <li>- Facilitate the convergence of networks and services that are part of the electronic communications marketplace.</li> <li>- Focus on the security of networks and information and the interoperability of ICT services.</li> <li>- Modernize employment policies.</li> <li>- Reduce unemployment among young people (25 and below).</li> <li>- Promote equal opportunities for men and women in the labour market.</li> <li>- Increase the participation of older people in the labour market.</li> <li>- Increase professional mobility through effective retraining systems.</li> <li>- Implementation of curriculum reform.</li> <li>- Provide better access to higher professional and university education.</li> <li>- Support cooperation of employers, employees and educational institutions, as well as other professional training institutions.</li> <li>- Improve the relations between initial and further education systems.</li> <li>- Support permeability between the individual levels of tertiary education.</li> <li>- Support further education in the business sector.</li> <li>- Increase the IT literacy.</li> <li>- Implement a transparent process for the evaluation of the impact of the new legislation.</li> <li>- Reduce the administrative burden of businessmen by at least 20 %.</li> </ul>

In the educational area, the NRP stresses the need to support the reform the content of school education (curriculum reform) in order to improve the quality of and modernize education – thus improving quality, effectiveness and innovation in education at all levels. Other topics include growth in the share of population with higher and tertiary education, supporting the co-operation of employers and educational institutions and technical and vocational institutions by involving employers in preparation of school curriculum, participation of experts in the teaching process, organization of internships and support of mobility of students and teachers. Attention is paid to interconnections between the primary and further education systems and permeability among individual stages of tertiary education. Cross-cutting topics of the NRP include supporting development of information and language skills.

As for increasing employment and active labour market policy the NRP highlights strengthening of territorial mobility of employees, the need to modernise the employment policies, to focus on the issue of youth unemployment on the labour market and to take into account employability of older persons. Supported topics include increasing professional mobility through retraining, compatibility of professional and family roles and involvement of foreign nationals on the labour market.

In the area of information society development, it supports a wide use of ICT in public services, for small and medium-sized entrepreneurs and households, then completing construction of a consistent nation-wide network for broadband internet, convergence of communication networks and services and increasing information security.

The NRP stresses the need to reduce the administrative burden placed both on addressees of the regulation, as well as public administration, with a focus on simplification of the administrative environment for businesses.

#### *Key relations to other strategic objectives*

Achieving the objective of **Open, Flexible and Cohesive Society** is dependent on key relations to other strategic objectives:

- the strategic objective of **Competitive Czech Economy** through the relation to effective labour market and quality human resources in the business sector,
- the strategic objective of **Attractive Environment** by creating the right conditions for business, work and living. This strategic goal wants to attain such environmental quality that the population would find attractive to work in and which will allow for the geographic (spatial) and qualitative mobility of the workforce,
- the strategic objective of **Balanced Development of Territory** through the relation to the development of local communities and stabilization of rural settlements. The objective of Open, Flexible and Cohesive Society contributes to the objectives of balanced development of territory in an effort at developing the local communities, preventing social exclusion and pockets of poverty in towns and cities, stabilizing the rural communities, upgrading local education and supporting the adaptation of the local infrastructure to the needs of an educated society, expanding local cultural activities and supporting the modernisation of local social and healthcare facilities.

The strategic objective **Open, Flexible and Cohesive Society** will be implemented by means of the following priorities:

#### **Priority A: Education**

**Priority Objective:** *The objective of this priority is to increase the adaptability of the Czech human potential in order to ensure increased competitiveness of the Czech economy and support of both*

current employment and future employability levels, including the improved quality of human resources for the business sector.

**Context:** The adaptation of the education system, integrated with the adaptation of the further education system into a comprehensive life-long learning system through an institutionalized dialogue between the business sector, educational and labour market institutions. Support cooperation between educational and research institutions and employers, the business and public sectors in an effort to improve the competitiveness and accelerate the growth of the Czech economy, including regional development.

The development of human resources in the area of R & D. Support for effective cooperation between research and development facilities and the business sector. Development of knowledge economy through modernisation, improvement and diversification of the tertiary education system, closely related to R & D.

**Focus of Key Interventions:** In the education sphere, the interventions will focus on the establishment of a comprehensive system of life-long learning open for everyone, which provides high-quality education and vocational training for successful placement on the labour market. Attention will be paid to the support of curriculum reform concentrated on the development of personality and the key competencies applicable in practice; to innovation of educational programmes; to support of evaluation of education results and system of consultancy services. In this context, cooperation of schools at all levels of the education system with employers, companies and their associations or labour offices will be supported. A greater degree of attention will be devoted to the transition of individuals from the world of school to the world of work in this programming period, while also monitoring the trend and future needs of the labour market and the relation to it to create and amend educational programmes at schools. This is also related to the development of further education of both pedagogical and non-pedagogical school staff in an effort to make the teaching profession more attractive and the necessary material renovation of educational institutions.

In the tertiary education sphere, attention will be paid to the adaptation of curriculum to the needs of knowledge society, with emphasis on the development of progressive disciplines and R & D for strengthening competitiveness of the Czech economy. This will concern in particular increase in quality of education by means of utilization of the most recent knowledge in the individual spheres of human activity. Efforts will be aimed at better access to tertiary education, increased permeability of the education system, which will enable students to respond in a flexible way to the changes expected in the labour market, and at strengthening motivation for and increase in attractiveness of the study of technical and natural-science disciplines. Widening the opportunities for utilization of the capacities of the institutions providing tertiary education for development of life-long education programmes is also a challenge. Emphasis will also be placed on improving the quality of preparation of both the future and the present academics and development of human resources for R & D. It is necessary to support personnel capacity of the tertiary education and to establish an incentives system for young staff starting their professional life in the field of R & D.

The intervention will focus on support for development of concepts and strategies (respectively system framework) of further education<sup>29</sup>. This will be achieved in particular through the preparation and implementation of legal regulations, the permeability of initial and further

<sup>29</sup> For the purposes of the implementation of the Structural Funds, the further education system, which falls within the competence of the MoEYS and the MoLSA, has been broken down into the following priorities: The priority 'Education,' which focuses on the establishment of a system framework for further education and the creation of new concepts, strategies and related legal regulations in this area and on the ability to offer further educational programmes in schools and school facilities. The priority 'Increasing Employment and Employability', which focuses on support for further professional education and training in companies and organisations will be based on the system framework created by the MoEYS as part of the priority 'Education'.

education (the creation of a National Qualification European Qualifications Framework), a better system for the verification and recognition of further education results and the monitoring and analysis of the status of further education. In terms of the rationalization of the system, it is necessary to complete the process of providing systemic support for the development of a further education system (this includes, for example, a certification system, an information system for the supply of information about the current options that are being offered in the area of further education, evaluation of the quality of services, the accreditation of educational institutions to perform retraining, etc.).

During the 2007-2013 programming period, greater emphasis will be placed on the cooperation of employers, employees, educational and labour market institutions, the educational needs will be indicated and the education system will be adjusted based on an analysis of the present and expected demand on the labour market and further education carried out in schools (including universities) and school facilities will be supported. Programmes and courses heading towards development trends and offering new forms of education which increase their accessibility (combined, distance, eLearning, education accessible from the time and organization viewpoint), will be supported. Development of life-long learning will be promoted regardless of the student's age in a manner that will ensure that older people are not discriminated on the grounds of their age and that will enable them to keep up with latest development in the society, including the latest trends in the information technology area.

In terms of the horizontal theme of equal opportunities, this priority will focus on gender equal interventions to an educational system and on reducing segregation in the individual professional fields by better access of women to professional education in fields that are now basically considered to be "male-only." This priority will include educational interventions promoting the options for balancing one's professional career and family life.

Cross-sectional themes in the area of life-long learning will include support for education in foreign languages and the development of business skills, in particular through the acquisition of key competencies focused on the capability of business approach and initiative which are key aspects in terms of motivating people to consider starting up a business. The development of the education system will also be supported by investments into the infrastructure for education.

**Implementation:** The priority Education is implemented by means of priority axes Initial Education, Further Education, Tertiary Education, Research and Development of the **OPEC**, the priority axis Adaptability of the **OPHRE**. The support of physical infrastructure for education will be implemented via **ROPs** and by the priority axis of Strengthening Capacities of Universities for Tertiary Education of the **OP R&DI**. The improvement of education conditions and key skills development in the scope of further career human resources improvement will be supported by **OP EI**. The **OPEI** focuses its support on improvement of conditions for education and development of key skills in the area of further professional growth of human resources in entrepreneurship, within the intervention area Infrastructure for Human Resources Development.

In the Capital City of Prague, this type of support is complemented by the priority axis Modernisation of Initial Education of the **OPPA**.

## **Priority B: Increasing Employment and Employability**

**Priority Objective:** *Increasing both employment and employability, mainly through strengthening the adaptability of the human resources and enhancing labour market flexibility.*

**Context:** Improving the efficiency of the labour market by developing and cultivating key competencies required by the market in particular with respect to creating a knowledge and information society; modernisation of active employment policy.

**Focus of Key Interventions:** Activities related to this priority will focus in particular on improvement of access to employment and prevention of unemployment through effectively targeted and modernised tools of the active labour market policies and increasing adaptability of the workforce. Within improvement of access to employment, emphasis will be put on the individual and on selection of such tools that will best support the individual's integration into sustainable employment. For this purpose, it is necessary to support interventions that are focused on modernisation of public employment services by improving the quality of information, consultancy, educational, agency and other services provided by institutions on the labour market. An essential part of such efforts will be the creation of systems for forecasting changes on the labour market to manage both gradual and sudden changes in employment, i.e. the expected future labour and qualification demands. Within this priority, occupational (professional) mobility will be increased, in particular by means of retraining, which resolves the imbalance in the qualification structure of job-seekers and applicants for employment.

In order to increase the adaptability of the workforce and prevent unemployment, interventions will be aimed at support for investment in human resources on the part of enterprises and organizations, development of professional knowledge, qualifications and competencies of employees and employers. The attention will be focused in particular on support for further education as a follow-up to the further education system framework, on an analysis of the relation between professional training and the requirements of the labour market, on incentives to pursue further education, and the analysis and monitoring of the status of further education. Another important aspect will be support for educational and training programmes organised by employers, cooperation between enterprises and educational facilities during the preparation, implementation and evaluation of educational programmes along with the creation of heright conditions for the further education of individuals with limited access to employment opportunities and individuals at risk of social exclusion. The activities will further focus on an expansion of the existing options for the application of more flexible forms of employment.

Development of specific services in the area of employment, vocational training and support of employees with respect to the restructuring of enterprises and sectors will also be supported. Furthermore, interventions will be focused on improvements to safety at work and support for leading a healthy lifestyle, improvements to health protection and illness prevention that will help increase the number of healthy workforce among the Czech population and extend the productive lives of employees. Also interventions focused on increasing availability and the quality of further education offers from the viewpoint of the needs of the labour market and the knowledge society, will be supported.

Territorial (regional and local) initiatives aimed at activating social partners, enforcement of social dialogue for solving local problems of the labour market and creation of networks for dissemination and sharing knowledge and experience will also be supported.

In pursuing this priority, regional differences will be respected and interventions will be designed to expand the potential of the individual regions<sup>30</sup>.

**Implementation:** The priority Increasing Employment and Employability is implemented by means of priority axes Adaptability, Active Labour Market Policies and Transnational Cooperation of the OPHRE. Supporting tangible investment will be financed from the priority axis Increased Quality and Accessibility of Public Services of the IOP.

In the Capital City of Prague, this type of support is complemented by the priority axis Support for the Development of Knowledge Economy of the OPFA.

<sup>30</sup> See the Regional Development Strategy and the NDP, 2007-2013.

In view of the two above mentioned priorities NSRF - Education and Increasing of Employment and Employability, the crucial part is strategy for support of key territories important for long-term development of the CR. In the 2007 – 2013 programming period there are, as opposed to the previous period, emphasized activities towards strengthening of educational level, towards establishing the quality base for R&D and towards development of quality supply of the whole initial and tertiary education. The area of further education and creating of legislative and system framework for its implementation will be systematically supported. From this the equal distribution of parts of ESF within the total allocation of structural funds for the CR is derived. It has been set at the level of 14% between OPHRE and OPEC (see Table No. 27 Indicative Annual Allocation per Funds and Programmes). The ratio of division of resources between OPEC and OPHRE follows the balancing of investment into development and also the preservation of social cohesion. Division of financial resources between OPEC and OPHRE respects also trend of unemployment rate, which decreases (March 2007 – 7,3% compared to March 2004 – 10,7%), and where increased necessity for reconciliation of supply and demand on the labour market rather than for activities oriented only to creation of jobs arises. This is also exemplified by increasing of jobs engaged by foreigners.

The intention for the allocation of financial resources between these operational programmes is to take advantage of the relatively good economic situation in the CR and to put the emphasis on the financing and development of perspective and needful areas attractive in the long term, included in OPEC. These are foremost the development of education and educational institutions, the need for innovation and extension of availability and quality of tertiary education, including the necessity of transformation of higher vocational schools and extension of possibilities of bachelor studies. It is necessary to increase investments into key skills of the population (languages, ICT, business skills). The development of research activities and motivation of students for research activities will be supported and it is also necessary to create a system of further education, which is being built very fragmentally and non-conceptually in the CR so far.

Full-area efficiency of system activities of OPHRE and OPEC is ensured by the multiobjective character of both operational programmes. Specification of multiobjectiveness of OPHRE and OPEC is explained in detail in Sections 8.3 and 8.4 of the NSRF.

### **Priority C: Strengthening Social Cohesion**

**Priority Objective:** *A society generating equal opportunities for all, assisting in the removal of obstacles in the integration of groups at risk of or exposed to social exclusion, which guarantees access to the social infrastructure for all citizens.*

**Context:** Dealing with long-term unemployment. Resumption of work (rejoining labour market) for people after long periods of being excluded from the labour market. Activation of individuals who are at risk of social exclusion or those who have already been socially excluded, the rejection of factors causing unemployment and marginalization through active employment policy measures, through preventive measures in the area of social exclusion and equal opportunities and measures aimed at support for the employability of persons at risk of social exclusion and through preventive measures in the area of public health.

**Focus of Key Interventions:** In the area of **strengthening social cohesion**, the priority will in particular focus on helping persons at risk of social exclusion or persons socially excluded, with the aim of increasing their employability and reducing long-term unemployment, partly in the form of direct support for these individuals, and partly in the form of increasing the quality and availability of healthcare and social services for them, including strengthening of local partnerships. Specific support will be aimed at activities resulting in increased employability of such persons. Within this area, activities aimed at promotion of equal opportunities for men and women on the labour market and measures heading towards better compatibility of family and professional life, including

interventions making easier problematic resumption of work (rejoining of the labour market) after parental leave, will be also supported. In this context, as part of systemic measures, support for greater involvement of men in domestic and family responsibilities will be taken into account. Special attention will be paid to the members of the Roma communities and to migrants and other groups from different socio-cultural environment. Social integration of disadvantaged groups of inhabitants will be supported also by means of supporting entities providing social services leading to integration into the labour market and society. Emphasis will also be put on the development of the system of social services, in particular through further education of social workers and staff working in social services and healthcare. Measures for the prevention of social exclusion will primarily focus on the reduction of people's dependence on the social welfare and pension systems and on an optimisation of the impact on public resources that are part of the healthcare fund and the social security fund.

Within this priority, issues of employment of certain groups on the labour market will be addressed through support and development of social economy. One of the specific groups that will be supported as part of this priority will be senior citizens who are at risk of discrimination on the grounds of age. The support initiatives will be designed to reduce the economic dependence of such individuals and to boost their chances of inclusion and of possibly remaining an active part of society.

The issues of development of human resources exceed the borders of regions and states and, therefore, intensive international cooperation aimed at exchange of experience and "best practices," which enables increasing the impact and efficiency of projects at local, regional and national level, and performance of international comparison, must be established.

**Implementation:** The priority Strengthening of Social Cohesion is implemented by resources of the priority axis Social Integration and Equal Opportunities of the **OPHRE**, with tangible investment in facilities of regional and local importance being implemented by the **ROPs**. Other supporting tangible investments will be financed by means of the priority axis Increased Quality and Accessibility of Public Services of the **IOP**.

Through the funds of priority axis Initial Education of **OPEC**, equal access to education will be supported and special emphasis will be put on equal opportunities of students with special educational needs. By means of priority axis Tertiary Education, Research and Development of **OPEC** tertiary education and research activities in regions with structural problems, especially in region North-West, will be supported.

In the Capital City of Prague, this type of support is complemented by means of the priority axis Support to the Entry to the Labour Market of the **OPPA**.

## **Priority D: Development of Information Society**

**Priority Objective:** *Making the information society services more readily available, information society for all.*

**Context:** Through the active use of ICT, improve the efficiency of economic activities and boost the economic growth of the CR.

**Focus of Key Interventions:** The priority contributes to the achievement of the strategic objective Open, Flexible and Cohesive Society by supporting equal access to **information and communication technologies**.

The CR has set the objective envisaging that approximately 50% of its population have access to an internet service by 2010. Support in this area will therefore focus on the development and efficient use of ICT and on increasing the offer of special applications and services – in particular in the area of public services (in relation to the priority Smart Administration). This will strengthen the competitiveness of SMEs and will support the broader use of such technologies by households and

will enhance the distribution of different types of disadvantaged groups of the population to ICT will better integration of these groups into the labour will be improvements in IT literacy by means of acquiring the general public and the elimination of these so-called

The interventions will also focus on the completion of building a uniform, nationwide high-speed ICT infrastructure, especially in peripheral areas which is a necessary prerequisite for the availability of electronic services and further development of information society, and the efforts within this priority will address the issues of convergence of electronic networks and services, including the digital broadcasting of radio and television programmes. Attention will be paid to network and information security and to interoperability of ICT services in order to boost the trust of individuals and the entities of commercial and non-commercial sectors in the concept of information society. Due to the dynamic development of the ICT sector, it is important to further promote the use of open standards and open specifications in the implementation of ICT solutions.

**Implementation:** The priority Development of Information Society in areas supported from the ERDF is implemented by means of the priority axis Smart Administration of the IOP. As for increasing skills in the ICT area (ESF), this priority will be implemented through interventions of the priority axis Further Education of the OPEC, and Public Administration and Public Services of the OPHRE.

With regard to achievement of synergy effects, the issues of development of information society and smart administration will be partly implemented in direct link to the material support of the main material topics, e.g. in the form of development of applications (eGovernment, eTax, eBusiness, eHealth, eCulture, and so on). The development of information society for small and medium-sized enterprises is addressed by the funds of priority axes Environment for Enterprise and Innovations and Business Development Services of the OPEI. ICT is also a horizontal theme of the OPR&DI. With respect to support for modernisation of institutions and the implementation of a quality management system in the area of employment-related services and the development of a labour market, this priority will be implemented by resources of the priority axis Active Labour Market Policies of the OPHRE.

In the territory of the Capital City of Prague, this type of support is complemented by the priority axis Support for the Development of Knowledge Economy of the OPPA.

### **Priority E: Smart Administration**

**Priority Objective:** *The objective of the public administration reform is to make the public administration and public services more effective by improving the quality and professionalization of human resources, modernising methods and instruments of management and using modern technologies, and therefore to support the social-economic growth of the CR and to increase the quality of life of its inhabitants.*

**Context:** The development of a "Smart Administration" system, promoting the use of effective methods for the administration of public matters at central, regional and local level through the use of modern management methods and the latest technologies. Public administration is becoming an active provider of high quality public services to citizens and enterprises and it is able to respond to their needs and offer flexible solutions to meet these needs. Attention will be focused on the creation of effective policies and programmes for the restructuring of the administrative environment in the area of economics, employment, social affairs, education, healthcare, justice and regional development. It will support the building and development of new data collection systems, new systems to measure the efficiency of policies, the development of collaborative efforts between

institutions, including cooperation between municipalities and dialogue between public administration and private social institutions (partnerships).

**Focus of Key Interventions:** Support in the area of modernisation of the public administration will focus on the enhancement of administrative capacity, quality, efficiency, transparency and accessibility of public administration and public services. Interventions in the area of Smart Administration will be based on strategic documents for the reform of the public administration. The first of them is a file of basic principles for a public administration modernization strategy to be used in the CR, which contains a document "Basic Goals of the Strategy for the Efficient Public Administration and Friendly Public Services (Smart Administration) for years 2007 to 2015", which was approved by the Government together with IOP on 28 February 2007. A second document is "Strategy for Implementation of Smart Administration for the Period 2007 to 2015"<sup>31</sup> (hereinafter "Strategy for Smart Administration Implementation"), which further elaborates the document "Basic Goals of the Strategy for the Efficient Public Administration and Friendly Public Services (Smart Administration) for years 2007 to 2015". The objective of this Strategy for Smart Administration Implementation, which is being prepared by the MoI, is to create and secure a coordinated and efficient way of improving the public administration and services using the structural funds during the programming period 2007–2013. The Strategy for Smart Administration implementation constitutes a complex, reform-supportive "road map", whose implementation will introduce a significant qualitative change into the system of the public administration and services in the CR. The main priorities of the Strategy for Smart Administration implementation especially include the following:

- improvement of creation and implementation of policies;
- improvement and simplifying of the regulatory environment and creation of attractive conditions for entrepreneurs, domestic and foreign investors;
- making activities of public administration bodies more efficient, lowering the need for financial resources on the functioning of the administration and ensuring transparent performance of the public administration;
- improving the performance of the justice;
- opening up the public services for citizens, securing their maximal accessibility and quality.

In accordance with the results of the sectoral analysis and conceptual documents prepared by the MoI and the MoLSA, interventions will focus on support for the following basic trends, which are part of the effort to modernize central state administration bodies, as well as regional public administration authorities.

Launching progressive methods of management and modern information management will be supported in public administration.

The poor performance of the existing public administration activities is partly the result of a lack of accessibility to progressive information and communication technologies and their ineffective use, separate status of individual ICT segments, the duplication of databases, insufficient supply of special applications tailored to the needs of particular public administration bodies and their clients (including those with special needs) and insufficient collection, utilization and management of information. This problem should be addressed by rapidly developing an eGovernment system in the technical infrastructure area and also in non-investment or "soft" areas. Support for non-investment type projects will primarily involve the application of modern concepts and strategic

<sup>31</sup> The draft of this document has been circulating since April 2007 for comments and by the end of May 2007 it will be submitted to the Czech government for approval. The Strategy of Smart Administration Implementation will also be taken into consideration and reflected in relevant programme documents, that is especially in the Operational Programme Human Resources and Employment and in IOP.

planning methodologies, which will contribute to enhanced efficiency and adequacy of public policies and help to establish the necessary relations (links) between individual policies – all of which will be targeted around the achievement of the desired synergic effects.

Special attention will be paid to the relations between national and European policies that are being implemented in the territory of the CR in order to optimize their potential effects and to effectively use the resources allocated to the implementation of these policies and in order to efficiently use a standardized administrative system (the standardization of procedures and the use of a single administrative system, including the "one-stop-shop" model). In this way, the existing bureaucratic barriers and the duplicating administration will be eliminated and thereby the administrative burden that is put on public administration staff and their clients will be reduced. The application of a strategy-based approach to the provision of public services will also enable to improve the nationwide accessibility of these services (especially in peripheral and rural areas). In the case of regional public administration authorities, these improvements will specifically involve strengthening the administrative capacity of regions and municipalities (with a focus on the "municipalities with extended powers"). This will result in the establishment of a system, which will allow to effectively provide public services, to prepare, implement and evaluate territorial development strategies and projects and to create a

he appropriated data and information platforms. For the purposes of the development of human resources in public administration and in the public sector it is necessary to propose and expand the advantages (benefits) associated with work in public administration, to create a system that will attract new, talented staff. Incentive programmes for public administration staff will be prepared. Systematic care for the professional and individual development of employees, the creation of career rules and promotion rules, an advanced system of further professional education, which will include improvements to language, communication and ICT skills: these are important tools. With respect to senior staff (senior administrative staff and elected representatives), professional education/ training will focus on the improvement of management capabilities and skills and learning of progressive management techniques. Up-to-date equipment and facilities for the workplaces that are part of the public administration sector which will meet the needs of public administration of the 21<sup>st</sup> century, including the use of progressive ICT, will also help to boost efficiency and make work in the public administration sector more attractive.

Strengthening of transparency for public administration will be part of the effort to implement its opening up to all parts of the population. Especially at the regional and local level it is possible to strengthen the direct participation of citizens in the decision-making process, boost their involvement in the preparation, implementation and monitoring of the effect of programmes and policies. Regional partnerships, which will be set up by representatives of local self-governing authorities and representatives of the civil society to deal with the regional development problems, will significantly contribute to the activation of regional resources and actors, the elimination of institutional and bureaucratic barriers and more appropriate targeting of development policies and enhancing their efficiency. Regions, "municipalities with extended powers" and the so-called "micro-regions" (created by groups of municipalities) have the best prerequisites for establishing such regional partnerships. A more open system of public administration will also help us to boost the role played by external control and it will contribute to the compliance with codes of ethics and standards.

In a follow-up to the NRP, the preparation of detailed analyses will be supported with a goal to identify those areas of public administration in which the support for administrative capacities is most critical in terms of the subsequent positive impact on economic growth and levels of employment.

**Implementation:** The responsibility for the implementation of public administration reforms in the CR was assigned to the MoI, which will be responsible for an integrated approach to the

implementation of the activities supported as part of this priority (both through the ESF – system activities, the development of human resources or material interventions supported through the ERDF).

Support of the modernisation of the public administration will be administered via two thematic operational programmes – via priority axis Public Administration and Public Services of OPHRE and priority axes Smart Administration and Increase of Quality and Accessibility of Public Services of the IOP (both priority axes are closely linked to priorities B, C, D of the strategic objective II of the NSRF).

The **Ministry of Interior** will operate as an **intermediate body** in both above mentioned programmes, which means that the decision-making process concerning IOP projects will take place at the same place where decisions are made concerning system projects. For this purpose a new special Department was created within the MoI that will fulfil the role of the intermediate body for OP HRE and IOP and will supervise, within the context of delegated competences, the consistency of projects and their contribution to the fulfilment of the strategy objectives. Fulfilling this condition will be one of the key evaluation criteria for selection of projects. Since the priority of the Smart Administration is primarily perceived as activity directed at the support of the ESF, the activities financed by the ESF will be dominant and investments from the ERDF will complement these activities. Mutual bonds between investments should lead to synergic effects and support the process of modernising of the public administration. This priority is also followed by interventions of the priority axis of National Support for Territorial Development in the intervention area of Modernization and Development of Systems for Creation of Regional Policies of the **IOP**.

### Strategic Objective III: Attractive Environment

*Provide a high quality physical platform for economic and social development through investments into improving the quality of the environment and access to transport networks.*

#### *Relation to the CSG*

The attractiveness of the environment is an important factor of the CR's competitiveness. The strategic objective Attractive Environment implements in the area of environment primarily the commitments of the CR in the sphere of environmental protection stipulated in the Treaty of Accession<sup>32</sup>. Thus, it only partly responds to the CSG, where the issues are taken into account in the chapter More attractive Europe and European regions for investors and workers, namely by support of the investment in the environmental infrastructure and sustainable use of energy (a reduction of energy demands and utilisation of renewable energy sources).

#### *Relation to the NRP*

The strategic objective Attractive Environment through both of its priorities responds to the topics of the NRP. It implements five priorities of the NRP.

<sup>32</sup> The Treaty of Accession contains transitional period for waste management (for achievement of target values for recycling and re-use of packaging, until 2005), for quality of water (for construction and reconstruction of sewerage systems and waste-water treatment plants, to ensure higher level of treatment (2010), for fulfilment of the prescribed limits of emissions of SO<sub>2</sub> for heating plant P řerov and Nová Hu ř, a.s. Transitional periods after signature of the Treaty of Accession: to achieve targets concerning recycling and re-use of packaging waste (2012), postponement of deadlines on the management of waste electrical and electronic equipment (until 2008), on the promotion of electricity produced from renewable energy sources in the internal electricity market.

Table 4: The strategic objective *Attractive environment* and the link to NRP

Strategic objective/priority of the NSRF	Measures of the NRP
<b>Attractive Environment</b>	
<ul style="list-style-type: none"> <li>- Protection and improvement of the quality of environment</li> <li>- Improving accessibility to transport</li> </ul>	<ul style="list-style-type: none"> <li>- Maximise energy and material efficiencies and rationalize the utilization of resources.</li> <li>- Support environmentally friendly technologies.</li> <li>- Modernize and develop transport networks.</li> <li>- Implement intelligent transport and traffic management systems.</li> <li>- Increase the share of railway transport in the transport market and develop combined transport.</li> </ul>

The NRP stresses that the CR still has not completed its basic motorways network and modernisation of railways corridors. Many projects belonging to the TEN-T network are in the stage of preparation for modernisation or reconstruction. The NRP supports implementation of intelligent transport systems and services that will help increase traffic safety in traffic flow, namely by warning against hazardous situations or prevention of its occurrence.

On the Czech railways network, which is an integral part of the trans-European railways network, the priority is the implementation of remote management of rail transport system on major lines and the implementation of European safety system. In the area of road transport it is necessary to gradually implement transport management and information systems, primarily for the motorways network. The NRP also supports an increase in the share of railway transport on the transport market and the development of combined transport, in particular by creation of intermodal terminals open to all users and operators. The CR will further co-operate in international projects focused on the use of combined transport.

#### Key relations to other strategic objectives:

Achieving the objective of **Attractive Environment** is dependent on key relations to other strategic objectives:

- the strategic objective of **Competitive Czech Economy** through the use of new discoveries and technologies to build our physical environment and support for energy savings in the industrial sector,
- the strategic objective of **Open, Flexible and Cohesive Society** through the provision of education and by improving an awareness of the environmental problems,
- the strategic objective of **Balanced Development of Territory** through efforts to develop regional and local key transport infrastructure (regional airports, 2<sup>nd</sup> and 3<sup>rd</sup> class roads – directly linked to the high-order communications, local communications, cycle paths, developing transport systems, support for public transport), eliminating inadequate local access to the technical infrastructure, implementing good environmental practices within urban centres and supporting nature and landscape conservation efforts in rural areas, regenerate brownfields.

The strategic objective **Attractive Environment** will be implemented by means of the following priorities:

**Priority A: Protection and Improvement of the Quality of the Environment**

**Priority Objective:** *Improving access to the environmental infrastructure, renewing and improving the quality of environment and supporting energy savings.*

**Context:** Setting up a system of permanent care of the environment and its different components and its implementation aiming to improve the quality of environment, prevent new risks and eliminate the old environmental burdens: these are factors directly associated with sustainable development of the society and economic growth. Such investments have a direct impact on the quality of life offered to inhabitants in the territory, influence their health and contribute to increased attractiveness of the environment for investors by reducing external costs (negative externalities) and are also conducive to the use of progressive, environmentally conscious and energy efficient technologies.

**Focus of Key Interventions:** In the area of the **environmental** support will be focused on the improvement of air quality, in particular reducing the exposure of inhabitants to emissions and noise, furthermore, on environmentally friendly water management, especially the construction of waste-water treatment plants, water and sewerage systems and flood control systems.

Due to the high energy demands of the Czech economy, which threatens its long-term competitiveness, the support will focus on the implementation of measures significantly reducing energy consumption (including the use of progressive technologies), increasing awareness of the need of energy management and allowing its implementation. The support will be given in compliance with local and regional energy concepts and it will focus on individual segments of the economy. Apart from the industry and the communal sphere, in particular the housing sector offers a high potential for cost-efficient solutions.

**Implementation:** The priority Protection and Improvement of the Quality of Environment is implemented by priority axes Improving Water Management Infrastructure and Reducing the Risk of Floods, Improving Air Quality and Reduction of Emissions, Sustainable Use of Energy Sources, Improving Waste Management and Removing of Old Environmental Burdens, Curtailing Industrial Pollution and Environmental Risks, Improving Nature and Landscape Conditions, Development of Infrastructure for Environmental Education, Consultancy and Awareness of the **OPE**.

The issue of energy savings in the industrial sector is addressed by means of the priority axis Efficient Energy of the **OPEI**. The issues of preventing and managing risks are implemented by means of the priority axis Increasing the quality and availability of public services of the **IOP**, specifically in the areas related to the development of an emergency response system, which will improve safety and prevent risks.

The CR anticipates the involvement of private resources (through Public Private Partnerships) in major infrastructural projects in the area of environmental protection and territorial regeneration, in accordance with the PPP utilization policy which has been approved by the CR. The CR will participate in the **JASPERS Initiative**.

**Priority B: Improving Accessibility to Transport**

**Priority Objective:** *Reinforcing the access to transportation and public transportation services, developing environmentally friendly means of transport.*

**Context:** Bringing to completion the construction of the basic network of capacity communications and key trunk roads in the area of transport and road and motorway bypasses of towns and municipalities, building connections and technical access points including the development of transport systems reduces transport costs and improves accessibility of the region, which is reflected in a higher quality of life of the population in the region, increasing attractiveness of the

environment for investors and their productivity; it is a prerequisite for strengthening the availability of public services.

**Focus of Key Interventions:** The entire general context of transport in the NSRF and the OP Transport stems from the national transport policies effective for 2005–2013 and the White Book of European Transport Policy for 2010 – Time to make a decision. Within the scope of NSRF the transport part is settled within the OP Transport and ROPs. The distribution of responsibilities is clearly defined and corresponds to the responsibilities of individual institutions in the national process. The OP Transport is focused on the network of motorways, first class roads, railway networks, and the network of inland waterways. The ROPs offer solutions primarily in the field of 2nd and 3rd class road and transport accessibility.

The transport policy results from a global objective, which is developed into five vertical and four horizontal priorities. Horizontal priorities have general effectiveness and are included in all vertical priorities. Vertical priorities are processed into individual circles of issues – specific targets, which will be fulfilled with the help of individual measures that result from it.

In the framework of support from the EC, ensuring the quality of transport infrastructure, respectively specific target of construction and modernisation of the transport infrastructure, will be the priority.

From the aspect of international obligations, the main target within the scope of constructing transport infrastructure is to gradually construct and modernise trans-European networks TEN-T in the CR with a preference given to the three priority projects in accordance with annex of the Decision of the European Parliament and of the Council on Community guidelines for the development of the trans-European transport network. The development of transport networks of individual modes of transport has to proceed in the framework of the concept of the whole transport network, so that it is harmonized, i.e. the level of development of transport infrastructure must be harmonized within all individual modes of transport. It seems economically efficient to promote those projects connecting regions and cities of similar economic importance, which would be stimulative for regional development.

In the sphere of **transport accessibility** improvement, the construction and the modernisation of the transport infrastructure will be implemented, as it is of decisive importance for the economy of the CR and contributes to achievement of the goals of the EU transport policy. The emphasis will be put on the opening up the European transport corridors, both road and rail, and connecting the main economy centres of the state to the European transport network<sup>33</sup>. All projects of main networks respect the TEN-T concept. With regards to cross-border connection, all significant transportation lines are planned together with the relevant neighbouring state. Apart from that, the TEN-T concept is to some degree predetermining and obliges the EU Member States to build the defined transportation lines. The focus on TEN-T priority projects is evident from the allocation to the first two strategic goals – the priority axes of OP Transport. These priority axes are in accordance with the obligations of the CR, focused on the development of TEN-T networks. The CR considers projects 22, 23, 25 as a priority.

Furthermore, attention will be paid to the support of development of more environmentally friendly types of transport, i.e. in particular rail transport, while construction and modernisation in the sphere of rail transport outside the trans-European network, with the aim to increase the share of rail transport in transport of passengers and goods, is being discussed.

<sup>33</sup>The national sections of priority projects TEN-T are in accordance with the Regulation 884/2004 PP no. 22 railway axis Athens – Sofia – Budapest – Vienna – Prague – Nuremberg/Dresden + Prague – Linz, PP no. 23 railway axis Gdansk – Warsaw – Brno/Bratislava – Vienna and PP no. 25 motorway axis Gdansk – Brno/Bratislava – Vienna.

The key national and regional railway lines will be modernised so that a competitive alternative to road transport is created and thereby the development of multi-modal, primarily combined, transport is stimulated, possibly also in connection with water transport, subject to the conditions of the nature preservation. With the aim to increase the efficiency of the transport systems and comfort in transport, application of modern management methods and shaping progressive transport strategies will be supported. Furthermore, in the territory of the Capital City of Prague, continuation in the construction of the underground, as an environment-friendly type of transport, use of systems for management of road transport in the capital city and building-up bypass around Prague will be supported.

Support will also be aimed at measures for reducing the negative impacts of transport on the environment and public health (eco-ducts and bio-corridors, noise barriers, etc.).

**Implementation:** The priority Improving accessibility to transport is implemented by means of the priority axes Modernisation of the TEN-T rail network, Construction and modernisation of the TEN-T motorway and road network, Modernisation of the rail network outside TEN-T, Modernisation of the primary roads outside TEN-T and Support of multi-modal freight transport and inland waterways of the **OPT**.

The CR approved the procedure for the utilization of the PPP and the Structural Funds in two studies<sup>34</sup>. The CR anticipates the use of private funding under the PPP scheme for larger infrastructural projects in the field of transport, in compliance with the valid version of the PPP utilization policy approved by the Government of the CR.

The CR participates in the **JASPERS Initiative**, also in the area of large infrastructural projects. Discussions with partners within the scope of partnership principles, upon the preparation of the OP Transport, have significantly contributed to the final version of the OP Transport. The OP Transport was, during the extensive discussion, expanded in the field of financing, which include e.g. the Capital City of Prague. Also, all requests were considered as submitted by non-state, non-profit organisations and the programme does not predetermine the realisation of specific construction sites. An integral part of programme texts is the obligation of the MoT that all maps and project overviews stated in the annexes of the OP Transport are considered as indicative. The data may be specified in greater detail and amended during the course of the programming period in accordance with the process of approval within the scope of the CR, with regards to both individual projects including the overall expenses and even the alternative of the transportation lines. Comments leading to specific activities will be settled with in standard procedures during project preparations (EIA).

In February 2006, a Preparation Committee for OP Transport was established at the MoT, which met several times during 2006. Members of respective departments of the MoT and representatives of the following institutions were engaged in the committee: Roads and Motorways Directorate, State Fund for Transport Infrastructure, Railways Infrastructure Administration, Waterways Directorate, MoF, MRD, MoE, MIT, MoI, The Association of Regions of the CR, the Capital City of Prague, the Transport Union, representatives of delegated non-state, non-profit organisations (NGO), the Union of towns and municipalities of the CR, MoH, the Government Committee for the physically handicapped people. The Committee took part in the preparation of the OP Transport, on which it was necessary to collaborate with individual MoT departments, partners and beneficiaries.

The representative of NGOs was from the Atelier for the Environment, civil group, which specialises in participating in administrative proceedings and deciding processes, which can affect

<sup>34</sup> Application of the PPP principle to the economic and social cohesion policy, the MRD, May 2006. Application of the PPP principle to the transport projects financed from the EU funds, MT, November 2005.

environmental protection, nature, public health and information for NGOs for the entire duration of the place within the scope of SEA processes (around the operational programme was further commented on specially established and handled by the MRD in which a

heritage sites. This representative mediates Committee's existence. Consultations also took place with the public and public negotiations). by the work group, which has been irrelevant subjects were equally represented.

**Strategic Objective IV: Balanced Development of Territory**

*Balanced and harmonious development of the whole territory of the CR achieved by mitigating disparities between regions and within regions. Economic growth and an increase in employment will be supported by the use of natural, economic and socio-cultural regional dissimilarities and their differentiated internal potential. At the same time, respect for the variability of the geographical structure (population structure, hierarchy of towns, types of rural area) will reinforce territorial and social cohesion.*

*Relation to the CSG*

The strategic objective Balanced Development of Territory reflects the meaning of taking into account the regional dimension of the cohesion policy and coordination of interventions from various sources and implementation of interventions with an explicit regional impact.

territory reflects the CSG 2007-2013 within the meaning of the cohesion policy and coordination of interventions with an explicit regional impact.

Measures aimed at support of cross-border, inter-regional and transnational cooperation are complemented by interventions implemented within the convergence objective. Special attention paid to the territorial cooperation reflects the need for closer cooperation between EU regions to speed up economic development and to achieve higher growth.

regional and transnational cooperation are complemented by interventions implemented within the convergence objective. Special attention paid to the territorial cooperation reflects the need for closer cooperation between EU regions to speed up economic development and to achieve higher growth.

*Relation to the NRP*

The strategic objective of Balanced Development of Territory is intended as an indirect support or condition for implementation of the NRP. However, the focus of the strategic objective Balanced Development of Territory does not mean one-sided focus of all relevant priorities of thematic and Regional Operational Programmes solely on support of the traditional concept of economic, social and territorial cohesion. There are also priorities in place with objectives in compliance with the Lisbon Strategy in support of the competitiveness of regions with the highest growth potential, whose stimulation will contribute to the CR's convergence to the European average. The interventions planned in the territory of the Capital City of Prague will directly contribute to the fulfilment of the Lisbon process, in particular in the area of education, the labour market, R&D support, as well as in case of interventions in large infrastructure projects.

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Tab. 5 The Strategic Objective Balanced Development of Territory and the link to NRP

Strategic objective/priority of the NSRF	Measure of the NRP
<b>Balanced development of territory</b>	
- Balanced regional development	- Modernise and develop transport networks
- Development of rural areas	- Create a uniform nationwide high-speed ICT infrastructure
- Development of urban areas	- Increase territorial mobility

The strategic objective of Balanced Development of Territory reflects the territorial dimension of the cohesion policy and different conditions of individual regions. Its priorities coordinate interventions of thematic and Regional Operational Programmes and differentiate their subject

Territory reflects the territorial dimension of the cohesion policy and different conditions of individual regions. Its priorities coordinate interventions of thematic and Regional Operational Programmes and differentiate their subject

matter focus and intensity of effect depending on the degree of development or the problem content of the regions in question. Within this objective, cohesion policy interventions are connected with and complementary to interventions of the national regional policy of the CR. Apart from the regions lagging behind and regions facing structural problems, it also places emphasis on the development strategy and directions of support of the development of urban areas, towns as poles of development and the territory in development axes whereby it spreads their development impulses into the surroundings and determines the frameworks for measures leading to economic diversification and improvement of accessibility of rural areas. It connects the issue of peripheral, remote regions with activities within cross-border cooperation. The implementation of this objective requires coordination and co-operation of a wide spectrum of regional stakeholders. When working on regional strategies, integrated urban development plans or rural development concepts and their subsequent implementation and assessment, the territorial partnership principle must be widely applied. The territorial partnership includes all key stakeholders, which have an impact on territorial development<sup>35</sup>.

#### *Relation to the Regional Development Strategy and the Territorial development policy*

The Regional Development Strategy on the basis of regional development analysis defines the priorities of the Czech regional policy and identifies those regions which receive concentrated state support, both for the purposes of support from the regional policy itself, and for the concept of the regional dimension of selected sector policies with significant regional impact. The territorial development policy defines the country's priorities in territorial planning in respect of securing a sustainable development of territory, defines those regions which impose higher demands on changes to the territory due to concentrated activities of international or national significance or whose significance exceeds the territory of a single region. For specific regions, areas and corridors it defines the criteria for and the conditions of decision-making on the possible options or alternative changes to the territory. Both these documents are the basis for the concept of regional interventions and for the coordination of the relevant priorities within thematic Operational Programmes.

#### *Key relations to other strategic objectives:*

Achieving the strategic objective of **Balanced Development of Territory** is dependent on key relations to other strategic objectives through the regional dimension of the relevant thematic programmes:

- the strategic objective of **Competitive Czech Economy** by creating business opportunities in areas with a less developed business structure, even outside regional centres, and by strengthening links between entrepreneurs, regions and municipalities.
- the strategic objective of **Open, Flexible and Cohesive Society** by developing local societies, preventing depopulation outside the main growth centres, and by focus on improving education and employability of the population living in disadvantaged areas.
- the strategic objective of **Attractive Environment** by improving living conditions and accessibility in disadvantaged regions.
- among key relations to strategic objectives also the link to the strategic objective of **Rural Development** (financed from the EAFRD) needs to be included, while clear boundaries of interventions are provided.

Strategic objective of **Balanced Development of Territory** will be implemented by means of the following priorities:

<sup>35</sup>When establishing partnerships, Art. 11 of General Regulation will apply.

## *Convergence Objective*

### **Priority A: Balanced Regional Development**

**Priority Objective:** *Balanced and harmonious development of regions leading to a decrease in disparities of the socio-economic development level among and within the regions of the CR.*

**Context:** A decrease in disparities among and within regions, targeting and establishing mutual links between interventions of individual types of Operational Programmes according to the development and needs of regions.

**Focus of Key Interventions:** Interventions will be focused on two interrelated objectives – decreasing disparities in the socio-economic development level among and within cohesion regions, while respecting and making use of their social, economic and cultural characteristics as specified in regional development strategies. Within the scope of this objective the following measures will be implemented:

- interventions of regional dimensions that are a special part of thematic interventions, primarily business support including the spatial aspect of selected sector policies, the development of human resources and education, and the development of the transport network,
- interventions of explicit regional significance, that will, however, be complementary to thematic interventions implemented at the national level (in particular business activities, education, transport infrastructure), within two meanings; either on the basis of the subsidiarity principle they will be addressed directly at the regional level (e.g. "brownfields", transport services, tourism), or for synergy reasons, interventions financed from the ESF will be linked in local terms (in particular with respect to priorities Education and Public Administration).

**Implementation:** The objective of the priority will be achieved by means of the effects of synergy of interventions implemented through thematic Operational Programmes and ROPs. The coordination between these OPs will be assured by cooperation between the relevant MAs and/or Monitoring Committees. The efficiency of this coordination is in the responsibility of the NCA of the NSRF, which will for this purpose organise meetings of the Co-ordination Committee "Balanced Development of Territory" involving all relevant authorities. Detailed co-ordination mechanism is described in operational programmes. The synergy at the level of IOP and ROP financing recipient activities will be provided by the application of integrated approach (e.g. Integrated Urban Development Plans). The synergy mechanism and mutual coordination will be negotiated further at the level of Managing Authorities.

The effect of synergy has two important dimensions: liaisons of selected interventions of thematic Operational Programmes in the territory by means of coordination of activities of various Operational Programmes and by the adequate form of preferential treatment of particular regions, drawing up Integrated Urban Development Plan (IUDP), making the availability of support for selected priority axes of the ROP and selected interventions of thematic OPs dependent on the approval of these plans. This objective will be achieved by various degrees of input of all thematic Operational Programmes whose selected interventions will be focused specifically according to the needs of individual regions.

In the case of the **OPT**, this involves in particular the construction of special roads that are included among TEN-T. A significant priority with a considerable regional impact are the efforts to speed up the connection of regional cities to the motorway network which will contribute to the strengthened integrity of the regional and settlements system of the CR and also the efforts aimed at high-quality connection with roads abroad.

Another operational programme containing an implicit regional dimension is the **OPE** which in compliance with the assumed international commitments will bring the lacking water management infrastructure to completion by 2010. This will contribute to the improvement in the environmental quality, primarily in the worst affected regions. The priority axis Improvement of Air Quality and Reduction of Emissions will have a favourable impact particularly on those regions where the environment is still seriously affected, which is one of the most significant barriers in the development of some Czech regions because their "image" among both the population and investors is rather poor.

The **OP R&DI** contains a marked **regional and urban dimension**. This programme will focus on the support of a limited number of large projects (European centres of excellence) in compliance with seven priority areas defined by the National Research Programme. Thereby, the role of these centres as the poles of growth will be strengthened. In connection with these interventions, support will be provided from the **OPEI** with the intent to either directly or indirectly extend the effects of interventions of the **OP R&DI** to the business practice. The **OP R&DI** will also support the development of capacities of targeted research in regions, as well as capacities of universities for tertiary education.

The **OPEI** will contribute to the fulfilment of the objective also by means of concentration of support within the priority axis Development of Firms in structurally affected regions of North West and Moravia-Silesia. On the contrary, the priority axis Innovation will implicitly further reinforce the competitiveness of regions with significant business and innovation tradition and potential.

The **OPEC** will promote the fulfilment of the strategic objective partially by means of all priority axes, in particular through support of equal opportunities of students with special educational needs and education in the business sector with links to specific conditions in particular regions, through modernisation of higher professional education it will help to harmonise supply and demand on the labour market, and it will promote the development of partnership and networks in compliance with the current approaches to the support of competitiveness.

The **OP HRE** will contribute to the fulfilment of the objective, firstly by the conception of the operational programme itself, i.e. the focus on support of integration of groups worst affected by social exclusion (long-term unemployed and other groups that are usually highly concentrated in territorial terms) and furthermore, the fact that most priority axes will focus primarily on support of regions most affected by unemployment and areas with the highest concentration of social problems (regions North West and Moravia Silesia).

Much emphasis is put on the fulfilment of the objective also within the **IOP**. This primarily involves the priority axis National support for territorial development focused on the modernisation and development of the systems of shaping territorial policies, including the development and application of the "Territorial Impact Assessment" methodology on significant state policies and programmes. The improvement of the performance of public administration/public services, including the development of eGovernment is an important goal of the IOP.

A very significant contribution to the fulfilment of the objective is expected from **ROPs** that mainly focus on the development of relevant transport infrastructure (i.e. modernisation and construction of 2<sup>nd</sup> class and 3<sup>rd</sup> class roads, primarily those that are connected to TEN-T) and the creation or reinforcement of integrated metropolitan or regional public transport systems. Furthermore, ROPs will support the development of tourism in rural and peripheral areas showing significant potential in this respect. Within this priority, reconstruction and preservation of cultural monuments, which play a key role in the development of travel and tourism, will be promoted.

As part of priority axes of the ROPs also the inclusion of innovative actions is planned whose nature will depend on the needs of individual regions. These innovative actions will primarily be focused on support of implementation (or completion of the existing) of regional innovation strategies with the goal to interconnect their implementation with other strategic documents at the

level of towns or regions. However, the objective of implementation of these strategies, i.e. the coordination of strategy objectives. Extensive use of the network in these innovative actions.

Support from ROPs will be the emphasis on the coordination of regional actors and real implementation of the method at the European level is expected for

## Priority B: Development of Urban Areas

**Priority Objective:** *Strengthening the role of towns as accelerators of regional growth and development of regions and support for revitalization of decaying districts.*

**Context:** Increasing competitiveness of towns by strengthening progressive sectors in their economy, overcoming their insufficient critical mass by means of networking and transformation (revitalization) of the urban environment.

### Focus of Key Interventions:

#### I. Cities of 50,000 inhabitants and above

Interventions aimed at strengthening towns/cities and their groups, as the centres of development of regions will support the establishment of urban networks which are able to transfer development and innovative impulses.

Depending on local conditions, support will focus on regional centres (regional cities with over 50,000 inhabitants plus Mladá Boleslav) and their functional groupings aiming at strengthening their significance in the regional, national and European economy as growth powers.

Attention will be paid to the development of innovative potential, stimulation of businesses and service development, including special services provided to manufacturers. Activities will focus on attracting talents and highly-skilled persons and their motivation to stay in the urbanized territory which is a key source of urban competitiveness. This is directly linked to several measures increasing the offer and strengthening the accessibility of cultural and social services.

Interconnection of the strongest towns from the economic viewpoint (as poles of growth) and medium-sized centres through infrastructure networks and transport (traditional and ICT) and cooperation among towns will allow for the distribution of development and innovative impulses in space, territorial integration and achievement of a more balanced, polycentric development of the regions, the CR and Europe.

Furthermore, integrated projects will be supported, which are aimed at revitalization and change of functional use of selected urban zones, the overall solution of transport (infrastructure, availability of transport, transport systems, public transport), environmental management in towns/cities and at promotion of a healthy lifestyle. Activities in support of social cohesion of urban communities (prevention of socially disadvantaged environment - pockets of modern poverty in urban and suburban localities, in particular in panel housing estates) will also be supported.

Development and renewal of towns and their parts will be implemented through comprehensive strategies (multi-domain) of IUDP, which will be based on urban (municipal) development plans and territorial plans. Based on these documents to be created using a widely applied principle of territorial partnership, activities of individual stakeholders, including activities of the public and private sectors, will be co-ordinated<sup>36</sup>. Towns with more than 20,000 inhabitants will also be supported in the area of housing, in case they have worked out the IUDP.

In order to avoid diffusion of the support, funding will only be provided to the best projects submitted within a competition among individual towns, namely among particular Integrated Urban Development Plans.

#### II. Towns and cities of 5,000–50,000 inhabitants

<sup>36</sup> Integrated Urban Development Plan means a specific action implemented through two or more individual projects which are realised in restricted area or in the framework of the thematic approach in the towns.

Based on local conditions, support will be focused on towns and cities of 5,000 to 50,000 inhabitants. In order to strengthen territorial cohesion within towns support will be especially focused on three problem types of town zones: revitalization and humanization of housing quarters, renewing and revitalization of areas that have already been urbanized (brownfields<sup>37</sup>), and revitalization of town or city centres. As part of the priority axis of the ROPs a wide range of relevant and eligible areas will be supported – public infrastructure (public transport, adaptation of the city public space, including public lighting), social infrastructure (education, health service) and local services.

In the area of revitalization and humanisation of problematic housing estates, the competition will be organized at the national level and support will be given to the best projects. In connection with efforts to integrate groups of persons threatened by social exclusion, several pilot projects on integration of the Roma population will be supported.

**Implementation:** Priority axes of ROPs that are focused on the solution of problems of towns have an explicit urban dimension. Both the competitiveness of towns having the potential to become the poles of growth (or to intensify this role) and the territorial cohesion will be strengthened by means of support for deteriorating town districts. The emphasis will be placed on support of new approaches to the development of towns and cities, such as thematic or territorial concentration of interventions implemented through IUDP, with which the CR has not yet had any experience. The above mentioned **OPR&DI**, which is in the area of the development of innovation potential complementary to the ROPs, has an obvious urban dimension. The **OPEI** will contribute to the development of entrepreneurship and supporting business services in the cities. The contribution to the fulfilment of the objective is strongly emphasized also within the **IOP**. This involves in particular the priority axis National support for territorial development which is focused on improvement of physical environment for housing, in particular in the form of support for revitalization of problematic housing estates and individual houses with the goal to prevent marked social segregation and polarization. Support will be provided on the basis of criteria effective on a nationwide scale with a view to focusing support on the most controversial parts of towns in the CR. It is a complementary, but important activity within the respect to the priority of addressing problems of the ROPs and therefore support for revitalization of housing estates will only be provided in the case that it will be linked with the support provided by means of the priority Development of Urban Areas implemented under the ROPs on the basis of the prepared IUDPs and the development plans of town districts.

The **OP EC** will contribute to transformation of urban areas through the development and adaptation of initial education (to be designed subject to specific local needs) and strengthening of human capital in the field of research and development. The **OPHRE** will focus on attracting and retaining talented and competent workers to the urban areas and also on the solution of problems in the area of social integration into towns, especially in the deprived districts.

The CR is considering the use of the **JESSICA initiative** aimed at supporting alternative funding of urban development projects, both within priority axes of OPs focused on the development of urban areas and town redevelopment.

<sup>37</sup> Brownfield is an abandoned or underused or ridged piece of property (land plot, building, build area), which is derelict and eventually may be environmentally contaminated. The former use of brownfields are residual properties that were previously used for could be industrial, mining, agricultural, army, residential, transport and other activities or for civil amenities purposes.

## Priority C: Development of Rural Areas

**Priority Objective:** Sustainable development of rural areas.

**Context:** Stabilizing population in rural peripheral regions, strengthening of micro-regional centres, harmonizing relations between urban areas and their background by means of the strengthened partnership between rural areas and towns/cities. Maintaining and increasing the quality of life of the rural population by making it more attractive (cost savings, improving the availability of public goods and services).

**Focus of Key Interventions:** In view of the fact that in the CR, three types of rural areas with different socio-economic trends can be defined, differentiated forms of support will be applied in the implementation. The first type are rural peripheral regions that require stabilization of population in these regions, namely by means of maintaining and increasing the quality of life of rural population, improving the availability of public goods and services and strengthening the traditional bonds with natural values of the territory. On the other hand, rural areas in the hinterland of big cities are influenced by suburbanization, they show significant development dynamics with demands for increase in technical and social infrastructure capacity and higher availability of transport. Rural regions with good access have the potential to diversify their economy successfully and to become the recreation hinterland of urban areas, with specific requirements for intervention (e.g. for specialisation in the field of travel and tourism, or the development of the cultural-historical potential).

Micro-regional centres (mainly towns with a status of a municipality with territorially extended jurisdiction and/or natural centres of municipal unions) offering a wide range of services in its surrounding, provide support to rural area development with an important link to the main powers of regional development. Supporting development of these centres will enable the strengthening of natural territorial cohesion, functional integration of the territory, and in connection with main development centres supporting urban and rural partnership and achieving a balanced polycentric development.

Within the ROPs and in compliance with local conditions, a comprehensive support for rural communities of 500 (in some cases of 2,000 in connection with Rural Development Programme in EAFRD)–5,000 inhabitants is planned.

A comprehensive support means a physical revitalisation of the territory, public infrastructure, social infrastructure (education, health and social infrastructure, leisure time infrastructure, cultural and sporting activities) and local services.

Support will also be given to territorial partnerships and local action groups aiming at the development of local economic potential by expanding the range of economic activities in rural areas and by developing non-agricultural activities.

**Implementation:** Decreasing intraregional differences through the improvement of living conditions and economic opportunities in peripheral and rural regions (completion and development of technical and social infrastructure, diversification of the local economy, improving the environmental quality) is an important focus of regional interventions. This priority bridges the gap between support for towns/cities and support from the EAFRD. In the CR, support from the EAFRD for the development of non-agricultural activities in the rural areas will be very limited, since the strategic objective for the EAFRD is focused in particular on the competitiveness of agricultural and food-processing structures.

The boundaries with the OPEI is also defined by population numbers. The EAFRD will support micro-enterprises and businesses of sole traders engaged in the agricultural sector in communities up to 2,000 inhabitants.

Within the priority axis Smart Administration of the strategies managed (coordinated) by individual departments, the development of ICT in rural areas will also be supported, which still do not have sufficient potential available for the effective provision of these state-of-the-art services on a commercial basis.

Through the **OPHRE**, local initiatives focused on activation of social partners and strengthening of social dialogue with the aim of addressing local labour market issues, will be supported in rural areas along with establishing regional networks for transfer and sharing knowledge and experience. Special attention will also be paid to the support of administrative and absorption capacity of municipalities with extended powers and their role of micro-regional centres will be strengthened. Furthermore, the OPHRE will focus on the elimination of systemic weaknesses in the availability and quality of public services.

### *The Regional Competitiveness and Employment Objective*

#### **Priority D: Cohesion Region the Capital City of Prague**

**Priority Objective:** Sustainable development of the Capital City of Prague as an important centre of socio-economic, cultural, educational, research and innovative activities.

**Context:** The reason for the existence of separate operational programmes for the territory of the Capital City of Prague, is the specific position of the capital city in the CR, as well as the inclusion of the Capital City of Prague among the economically most advanced EU regions (inclusion into the Regional Competitiveness and Employment objective). On the level of GDP and unemployment, Prague ranks among the 15 best regions in the EU. Within the scope of the CR, Prague creates almost 1/4 of the GDP with services as a significant component, and it presents a pole of growth in the CR with significant "spill-over" effect into other regions. About 2/3 of public research and development institutions are localised in Prague and 1/3 of the capacity of private R&D. A total of 37.9% of the total expenditure on research and development is allocated to Prague and more than 63% of the expenditure of the public sector. Due to the achieved level of socio-economic development, urban nature and role of Prague, the affected socio-economic phenomena are reflected differently or with a different intensity within its territory. On the other hand, negative factors associated with the concentration of socio-pathological phenomena in the capital city occur together with problems arising from insufficient identification with the environment and the community. This situation demands a specific focus of support in the form of independent operational programmes financed from the ESF and ERDF. The management of both operational programmes of the Capital City of Prague will provide effects of synergy upon implementation by means of independent approaches to beneficiaries (the principle of single doors) and the effective coordination of all interventions via the mutual monitoring committee of both programmes.

**Focus of Key Interventions:** Through the strategic objective Balanced Development of Territory, the problems of the Capital City of Prague will be solved by means of the objective Regional Competitiveness and Employment. This concerns support of environmentally friendly public transport, improving accessibility of the TEN-T networks, improving quality of important transport links and development and availability of ICT services. Revitalization of abandoned, impaired or socially problematic zones and areas, prevention and solution of natural or technological risks, efficient and sustainable use of energy and natural resources will be other important areas to be supported. In the area of strengthening competitiveness of the economy, the activities will focus on the development of innovative environment and partnership between research and development base and practice, the development of a knowledge economy, the support of a favourable business environment and the development of a sustainable travel and tourism sector.

From ESF resources, assistance will be primarily allocated to increasing professional mobility and adaptability of employees and employers that will lead to higher quality and productivity of labour, furthermore, it will be allocated to support and consulting services developing the business environment, to increasing the efficiency of public administration of the Capital City of Prague, in support of access of disadvantaged groups to the labour market, and to the improvement in the quality of education and professional training of people consistent with the labour market requirements.

**Implementation:** The operational programmes for the objective Regional Competitiveness and Employment – focused on the territory of the Capital City of Prague have an obvious regional dimension.

Interventions supported from the ESF will be implemented by means of the **OPPA**. The strategy, in contrast with other regions of the CR, places greater emphasis on activities associated with the development of knowledge economy (priority axis Support for the Development of Knowledge Economy focused on increasing professional mobility and adaptability of employees and employers, education targeted on use of ICT, improving cooperation between research and development teams, educational institutions, business sector, etc.), support for access to the labour market (graduates, people at risk of social exclusion, their long-term inclusion, prevention of long-term unemployment by means of the priority axis Support to the Entry to the Labour Market) and development of life-long learning (formal and informal education – life-long learning, development of disciplines, education/training of teachers and establishing cooperation between educational (school) institutions and the business sector).

Another programme which is however supported from the ERDF, is the **OPPC** with the priority axes Accessibility and the Environment (transport infrastructure, environmentally-friendly public transport, availability and use of ICT, territorial recovery) and Innovations and Enterprise (information infrastructure, establishing partnership between research institutes, universities and enterprises, support for the spirit of enterprise).

In view of the specific position of the Capital City of Prague, the issues of development of infrastructure capacity, modernisation and development of environmentally-friendly transport and systems of road transport management in the territory of the Capital City of Prague are addressed within the independent priority of the **OPT** (funded from the Cohesion Fund).

## *The European Territorial Cooperation Objective*

### **Priority E: European Territorial Cooperation**

**Priority Objective:** *A full-fledged involvement of Czech Republic's regions in the socio-economic processes taking place within the EU, both at the cross-border level and at the levels of transnational and inter-regional cooperation.*

**Context:** Removal of the existing barriers to the economic development, strengthening of social and territorial cohesion of the territory. Transfer and sharing of experience.

**Focus of Key Interventions:** The strategic objective Balanced Development of Territory also responds to the support of **cooperation at cross-border, inter-regional and transnational level** according to the objective European Territorial Cooperation, within which joint solutions of common problems between neighbouring countries and regions will be supported in the areas outlined below:

- development of towns and rural areas,

- development of economic relations – in particular of tourism, provision of services aimed at strengthening the competitiveness of small and medium-sized enterprises and support for their cooperation, integration of split markets, strengthening links between enterprises and educational and research and development institutions.
- construction of infrastructure, technical interconnection and strengthening of availability (transport, environment, ICT),
- securing cooperation in the area of security,
- integration of labour markets, support of education, development of socio-cultural activities.

Due to the size of the CR, most regions will participate in cross-border cooperation. Joint solutions of common problems will also be supported within transnational and inter-regional cooperation, in which entities from all regions can take part, and which enables cooperation of regions that do not border each other. In the area of inter-regional cooperation, intervention will focus on issues of sustainable growth and job creation by means of strengthening innovations, competitiveness of small and medium-sized enterprises and business activities, environmental protection, and prevention and solution of risks. Furthermore, exchange of experience and best practices concerning the development of towns/cities, the provision of public services (e.g. use of information and communication technologies in the health sector and public administration), implementation of cooperation programmes, preparation of conceptual studies and data collection will be supported. In the area of transnational cooperation, the CR will cooperate with other EU Member States in matters of strategic importance. Support will be aimed at strategic activities enabling physical interconnection of the territory, strengthening the availability of transport, environmental protection, prevention and solution of risks and integrated water management, further the development of intangible connections such as the innovation networks in the area of research and development, the development of information society, networks for exchange of experience between interested parties and between regions.

**Implementation:** The operational programmes within the priority European territorial cooperation have an obvious territorial dimension or regional dimension in the case of cross-border cooperation. They are aimed at the removal of barriers that stand in the way of the full utilization of the territory's potential and strengthening its competitiveness. The OPs will focus on the implementation of joint projects in the area of transport, water management, further the environmental protection and also the development of the business environment, the travel and tourism sector and culture which will enable to develop natural links, strengthen territorial integrity and cohesion. They will focus on support for projects that would be hardly viable without mutual cooperation.

### 7.2.5. NSRF Indicators

The use of an indicator system enables to assess the impacts and effects of NSRF/OPs interventions. It is an important condition for the assessment of effectiveness of the EU funds financial resources management.

A correctly set indicator system allows evaluating how much the individual programmes and projects achieve the expected outputs, results and impacts, where appropriate. The values of output and result indicators are monitored for the purposes of immediate decision-making. However, in order to substantiate a decision of a long-term character, impact indicators are necessary. The time between fund provision and evaluation as well as the complexity of linking the benefit (impact) of the aid with activity of direct beneficiaries makes it difficult to obtain a reliable impact indicator data as easily as it is the case of the output and result indicators.

The creation of the indicator system structure for the 2007-2013 programming period has been a symbiosis of two approaches:

1. **Top-down approach** used during the selection of the NSRF indicators.
2. **Bottom-up approach** applied for the selection of indicators on the level of OPs, which using the EU funds produce the outputs of realized interventions. These indicators are necessary elements regarding monitoring of concrete use of realized expenditures. The outputs bring specific results to the beneficiaries who implement the financed activities. It is necessary to monitor what effects have brought the supported and realized activities e.g. to individual persons or organisations (the number of newly created jobs, the number of successfully trained employees etc.).

On a higher level the cumulative effects of the results are expressed in the impacts, which go beyond the framework of immediate measurable intervention effects on the beneficiaries and from which the degree of success or failure of the respective support can be deduced.

Besides the context indicators, the NSRF indicator system composes of the impact indicators. The impact indicators provide information about the links going beyond the scope of immediate effects. To measure the fulfilment of the main NSRF/OP objectives is enabled by the means of impact indicators. This group of indicators is also important for making strategic decisions (e.g. operation programme revision). For each NSRF indicator data (except of context indicators) source is defined. The sources are mainly European or international statistical databases (Eurostat, WEF, EIS, World Bank) and national statistical database (Czech Statistical Office - CSO), and also monitoring systems of responsible ministries (managing authorities) are used (see column Source in the table below).

The proportionality, i.e. adequate and balanced coverage of the NSRF strategic objectives, has been an important goal when creating the indicator system. The quality of the indicators has been preferred to the quantity regarding important attributes like for example logical linkage, extent of coverage and usefulness.

Monitoring of the indicators fulfilment:

**Output, result, and eventually also impact indicators of the OPs will be monitored by the central monitoring system for the purpose of reporting. The MRD will also ensure the collection of the core indicators via the monitoring system (the aggregation of the values on the national level), which are quoted in the Annex I of the EC Working Document No. 2.**

**For each NSRF indicator (except context indicators), linkage to the global objective and to the priorities of the NSRF strategic objectives are stated. NSRF is assumed to contribute substantially to fulfilling of the target values defined for these indicators (see Table 8).** The context indicators will also be monitored so that the main influences on the NSRF objectives fulfilling could be identified as well as the nature of wider effects of the NSRF interventions implementation.

Table 6 Context indicators

Context		
Indicator	Description and Unit	Value
Real GDP growth	Average annual increase as a % 2001 -2005	3,7
Rate of inflation	Average annual increase in consumer prices as a %, 2001	2,3

	-2005	
Aggregate productivity of labour	Average annual increase as a %, 2001 -2005	3,4
Gross fixed capital formation	Average % share of gross fixed capital formation in GDP 2001 -2005	26,7
State budget balance in GDP	Average % share of state budget balance in GDP 2001 - 2005	- 2,86
Balance of Government deficit in GDP	Average % share of state budget balance in GDP 2001 - 2005	- 5,14
Volume of exports	Average % share of the annual volume of exports in GDP 2001 - 2005	66,1
GDP per capita in PPS	EU-25 = 100, 2005	73,7
Productivity of labour in PPS per hour	EU-25 = 100, 2005	52,1
Energy intensity of the economy	EU-25 = 100, 2004	416
Employment rate (inhabitants aged between 15 and 64 years)	EU-25 = 100, 2005 EU-15 = 100, 2004	101,6 99,4
Long-term employment rate	EU-25 = 100, 2004	107,7
Expenditure on R&D as a percentage of GDP	EU-25 = 100, 2004	68,3
Total public expenditure on education as a percentage of GDP	EU-25 = 100, 2004	84,6
Regional difference of GDP per habitant - in PPS	HDP in PPS - NUTS II regions (EU-25 = 100 ) (2005)	CB: 68,4 SW: 68,0 NW: 59,0 NE: 62,1 SE: 66,1 CM: 58,2 MS: 60,2

Table7-IndicatorsforNSRFglobalobjective

<b>Global objective</b>					
<b>Indicator</b>	<b>Type</b>	<b>Description and Unit</b>	<b>Source</b>	<b>Value in 2005<sup>1</sup></b>	<b>Target value (2015)</b>
GDP per capita in PPS	Impact	(EU-25 = 100)	CSO Eurostat	73,7	average EU-25
Competitiveness Growth Index	Impact	index	WEF	4,74 (29th place)	5,0 (about 26th place)
Unemployment long-term rate (aged between 15 and 64 years) - from that: women	Impact	Share of unemployed more than 12 months (as a %)	CSO Eurostat	3,9 4,9	decrease 20%

Table8IndicatorsforNSRFstrategicobjectives

**Strategic objective I: Competitive Czech economy**

<b>Indicator</b>	<b>Type</b>	<b>Description and Unit</b>	<b>Source</b>	<b>Value in 2005<sup>1</sup></b>	<b>Target value (2015)</b>
Added value per employed in SME <i>Linkage to 1.A</i>	Impact	Increase (%)	CSO	-	+60%
Gross domestic expenditure on R&D GERD) (ind. Lisbon <i>Linkage to 1.B, (4.D)</i>	Impact	% GDP	CSO	1,42	2,2
Summary index of innovation <i>Linkage to 1.A, (4.D)</i>	Impact	European Innovation Scoreboard	Database EIS	0,26	0,36
Share of expenditure on R&D in enterprise sector on GDP <i>Linkage to 1.B (4.D)</i>	Impact	% GDP	CSO	0,77	1,5
Employment rate of the research and development sector per 1,000 of the employed in the aggregate <i>Linkage to 1.B (4.D)</i>	Impact	Employees in R&D from that women	CSO	9,1 from that 5,1 women	10,8 from that 6,3 women
Added value in sector of accommodation and catering <i>Linkage to 1.C</i>	Impact	CZK (bln)	CSO	33 846	increase about 60%

### **Strategic objective II: Open, Flexible and Cohesive society**

<b>Indicator</b>	<b>Type</b>	<b>Description and Unit</b>	<b>Source</b>	<b>Value in 2005</b>	<b>Target value (2015)</b>
Unemployment rate of young people (inhabitants aged between 15 and 24) - women <i>linkage to 2.B (2.C)</i>	Impact	%	CSO	14,9 11,8 (2006)	decrease about 20%
Employment rate (inhabitants aged between 15 and 64 years) <i>Linkage to 2.A , 2.C, 4.D</i>	Impact	%	CSO	64,8 (2005) 65,3 (2006)	66,8
Share (percentage) of students in tertiary education system (inhabitants aged between 19 and 22) <i>Linkage to 2.A</i>	Impact	%	CSO	45	55
Share (percentage) of inhabitants aged between 25 and 64 participating in further education <i>Linkage to 2.A, 2.C, 4.D</i>	Impact	%	CSO	5,6	6
Share of ICT experts in the total employment rate <i>Linkage to 2.D, 4.D</i>	Impact	%	CSO Eurostat	1,5	1,7
Effectiveness Indicator <i>Linkage to 2.C, D, E, 4.D</i>	Impact	index	World bank	76,6	88

### **Strategic objective III: Attractive environment**

<b>Indicator</b>	<b>Type</b>	<b>Description and Unit</b>	<b>Source</b>	<b>Value in 2005</b>	<b>Target value (2015)</b>
Amount of the discharged pollutants for sources of COD <sub>Cr</sub>	Result	t/year	MoE	20 613 (2005)	18 000

subjected to charges (methodology of 2005) <i>Linkage to 3.A</i>					
Reduction in greenhouse gases in equivalent CO <sub>2</sub> levels over a specific period of time <i>Linkage to 3.A</i>	Impact	t CO <sub>2</sub> per capita/year	MoE CSO	13,923 (2004)	13,505
Exposition of inhabitants to the over limit concentration of PM <sub>10</sub> <i>Linkage to 3.A</i>	Impact	% inhab.	MoE	66	50
Increase of share of train and water transport in freight transport <i>Linkage to 3.B</i>	Result	%	MoT	25,2	27
Transport intensity in freight transport (Volume of freight transport to GDP) <i>Linkage to 3.B</i>	Impact	(tkm/ GDP, mil tkm / bln CZK)	MoT	23,075	22,077

#### Strategic objective IV: Balanced Development of Territory

Indicator	Type	Description and Unit	Source	Value in 2005	Target value (2015)
Regional differentiation of unemployment rates <i>Linkage to 4.A, 4.B, 4.C, (4.E)</i>	Impact	Variation coefficient without Prague*	CSO	39,8	36
Regional differentiation of employment rates <i>Linkage to 4.A, 4.B, 4.C, (4.E)</i>	Impact	Variation coefficient without Prague*	CSO	3,86	3,5
Regional differentiation of GDP in pps <i>Linkage to 4.A, 4.B, 4.C</i>	Impact	Variation coefficient without Prague*	CSO	6,3	5,9

<sup>1</sup> Unless year 2004 or 2003 is stated

\*) As in the CR elected regional authorities are at the level of regions (NUTS III), calculations of the variation coefficient are performed also for the NUTS III level, or – if such need arises – also for smaller territorial units.

Assumed values of the indicators were defined as follows:

- They were based on goals setting in strategic documents or programmes – e.g. Strategy of Economic Growth, NRP, and National Innovative Policy – and then expertly modified.
- They were based on expert estimates during the OP preparation.
- They were obtained through benchmarking.

The target values of indicators based on causal linkage with the OP interventions were based on the values of indicators for the given interventions in the OP. To bring an example, the target value of the employment rate in the R&D sector indicator was based on the OP indicator number of created jobs in the R&D sector. Estimating target values of indicators is a complex issue and in the case of the macroeconomic indicators like employment or GDP their growth is affected by range of factors including external ones.

The attainability of the target values of the indicators acquired by any of the three above mentioned ways will be reviewed in the evaluation exercise. Similarly, the target values based on international and national statistical databases will be subject to review in the evaluation exercise. This way the assessment of the true influence of the SF interventions on the target values will be clarified.

It is expected that the SF will significantly contribute to the achievement of these target values.

The evaluation plan includes evaluations focused on assessment of contribution of the interventions to fulfilment of the NSRF strategic objectives, as well as thematic evaluations, which will deal with cross-sectional issues across the operational programmes. The thorough assessment of the linkages between NSRF and OP indicators will also be included in the planned evaluation activities.

Within the framework of the NSRF ex-ante evaluation the macroeconomic modelling of SF interventions impact was utilized the first time in CZ. Following the results of this evaluation an updated and improved macroeconomic model Herminsha will be used to assess the direct SF impact. The model databases shall be expanded and amended in cooperation with the economists and experts in order to describe the impact of the SF intervention even more precisely.

## 8. OPERATIONAL PROGRAMMES

### *Convergence Objective*

#### 8.1. Operational Programme Enterprise and Innovation

**The global objective** of the OP Enterprise and Innovation is to improve the competitiveness of the CR by the end of the programme period and to bring the innovative performance of the industry and services sectors close to the level of the major European industrial states. The OPEI should achieve this by significant support of innovations and closer interconnection of the development and research area with the business sphere. Emphasis is put on the implementation of results from the R&D sphere into practice. Therefore, all forms of cooperation aiming at achieving these goals should be stimulated. Supporting the formation of an appropriate environment for business and innovations is also an inseparable part, as it will motivate both the establishment of new firms and the development of already existing ones. The programme will also focus on supporting business activities in the area of energy savings and stronger promotion of renewable sources of energy. Technical assistance will be used to support the preparation of pilot projects to strengthen absorption capacities, particularly in the field of innovative interventions.

**The Managing Authority** of the OPEI is the **MIT**.

Table 9 Indicative Priority Axes of the OP Enterprise and Innovation

<b>OP Priority Axes</b>
Priority Axis 1 – Establishment of firms
Priority Axis 2 – Development of firms
Priority Axis 3 – Effective energy
Priority Axis 4 – Innovation
Priority Axis 5 – Environment for enterprise and innovation
Priority Axis 6 – Business development services
Priority Axis 7 – Technical assistance

#### 8.2. Operational Programme Research and Development for Innovations

**The global objective** of the OP Research and Development for Innovations is strengthening the research, development and innovation potential of the CR, ensuring growth, competitiveness and job creation in the regions<sup>38</sup> so that the CR would become a location of European importance in concentration of those activities by means of universities, research institutions and other relevant entities.

**The Managing Authority** of the OPR&DI is the **MoEYS**.

The OPR&DI will support projects with not only a clearly defined follow-up/parallel project to acquire and train human resources in new/innovated capacities, but those with a clear plan for using the capacities also once the funding of the project under the ERDF ceases to exist and with a clearly defined sustainability strategy.

Table 10 Indicative Priority Axes of the OPR Research and Development for Innovations

<b>OP Priority Axes</b>
Priority Axis 1 – Development of research and development capacities

<sup>38</sup> Regions on the NUTS III level.

Priority Axis 2 – Development of capacities for cooperation of the public and private sectors in research and development

Priority Axis 3 – Strengthening capacities of universities for tertiary education

Priority Axis 4 – Technical assistance

### 8.3. Operational Programme Human Resources and Employment

**The global objective** of the OP Human Resources and Employment is to increase employment and employability of people in the CR to the level of the 15 best EU countries average. This objective will be achieved via increasing of adaptability of employees and employers, among others by means of further education, improvement of access to employment and prevention of unemployment, strengthening integration of persons endangered by social exclusion or socially excluded, strengthening institutional capacity and efficiency of public administration and public services, and intensification of international cooperation in the area of human resources and employment. This OP has been conceived as multi-objective. Three factual priority axes of programme and priority axis Technical Assistance will be complemented from the Regional Competitiveness and Employment objective envelope so that the activities, included in these axes, could be supported across the territory of the CR, i.e. including the Capital City of Prague.

**The Managing Authority** of the OPHRE is the **MoLSA**.

**Multiobjectiveness** – OPHRE is a multiobjective operational programme. The multiobjectiveness is connected to activities of systemic, respectively national character and the implementation of these activities should influence the whole territory of the Czech Republic. These system activities with national impact are connected to the priority axis focused on Active Labour Policies, to priority axis focused on public administration and public services, transnational cooperation and also on technical assistance. The MoLSA will ensure via coordinating mechanisms of ESF programmes (more in detail explained in Section 11 of NSRF) that resources allocated for the Convergence Objective will not be used for financing of interventions in the territory of the Regional Competitiveness and Employment Objective. At the same time, the Managing Authority of OPHRE in cooperation with the MA of OP Praha guarantees that the OPHRE activities will not be duplicated by the OP activities, i.e. the same type of activities will not be implemented for the same target group. The Managing Authority will also ensure a sufficient financial allocation for activities of systemic/national character.

Table 11 Indicative Priority Axes of the OP Human Resources and Employment

Priority Axes of OP
Priority Axis 1 – Adaptability
Priority Axis 2 a – Active Labour Market Policies (Convergence)
Priority Axis 2 b – Active Labour Market Policies (RCE)
Priority Axis 3 – Social Integration and Equal Opportunities
Priority Axis 4 a – Public Administration and Public Services (Convergence)
Priority Axis 4 b – Public Administration and Public Services (RCE)
Priority Axis 5 a – Transnational Cooperation (Convergence)
Priority Axis 5 b – Transnational Cooperation (RCE)
Priority Axis 6 a – Technical Assistance (Convergence)
Priority Axis 6 b – Technical Assistance (RCE)

### 8.4. Operational Programme Education for Competitiveness

**The global objective** of the OP Education for Competitiveness is the development of an open, flexible and cohesive society and strengthening competitiveness of the CR economy through partner cooperation, resulting in improving quality and modernisation of the educational system in

the complex framework of life-long learning, and in research and development. This OP is conceived as a

improvement of conditions in the area of multiobjective.

**The Managing Authority** of the OP EC is the anticipated during implementation.

**MoEYS**. An involvement of other partners is

Projects within OP EC in the area of research and development capacity building will be assessed during the selection process from the view point of meeting the objectives of the related project within OPR&DI.

development which will be a follow-up to the selection process from the view point of meeting the

**Multiobjectiveness**—OPEC is a multi-objective operational programme connected to activities of systemic, respectively national character and the implementation of these activities should influence the whole territory of the CR. These system activities with national impact are connected to the priority axis System Framework of Life-long Learning, which includes system projects at the national level, going across the initial, tertiary and further education. Multiobjectiveness covers also the priority axis Technical Assistance. Managing Authority of OP EC will ensure through the coordinating mechanisms of ESF programmes (explained in detail in section 11 of NSRF) that resources allocated for Convergence Objective will not be used for Regional Competitiveness and Employment Objective. At the same time, the Managing Authority of OPEC in cooperation with the MA of OP PA guarantees that the OPEC activities will not be duplicated by the OPPA activities, i.e. the same type of activities will not be implemented for the same target group. The Managing Authority will also ensure sufficient financial allocation for activities of systemic/national character.

. The multiobjectiveness is national character and the implementation of these activities should influence the whole territory of the CR. These system activities with national impact are connected to the priority axis System Framework of Life-long Learning, which includes the initial, tertiary and further education. Multiobjectiveness covers also the priority axis Technical Assistance. Managing Authority of OP EC will ensure through the coordinating mechanisms of ESF programmes (explained in detail in section 11 of NSRF) that resources allocated for Convergence Objective will not be used for Regional Competitiveness and Employment Objective. At the same time, the Managing Authority of OPEC in cooperation with the MA of OP PA guarantees that the OPEC activities will not be duplicated by the OPPA activities, i.e. the same type of activities will not be implemented for the same target group. The Managing Authority will also ensure sufficient financial allocation for activities of systemic/national character.

Table 12 Indicative Priority Axes of the OPEducation for Competitiveness

OP Priority Axis
Priority Axis 1 – Initial education
Priority Axis 2 – Tertiary Education, Research and Development
Priority Axis 3 – Further Education
Priority Axis 4 a – System Framework of Life-long Learning (Convergence)
Priority Axis 4 b – System Framework of Life-long Learning (RCE)
Priority Axis 5 a – Technical Assistance (Convergence)
Priority Axis 5 b – Technical Assistance (RCE)

### 8.5. Operational Programme Environment

**The global objective** of the OP Environment is protecting and improving the quality of the environment as one of the basic principles of sustainable development. The high-quality environment is the basis for healthy population and it increases attractiveness of the territory for life, work and investment. The result of investment attractiveness is not only an increase in employment, but primarily an increase in competitiveness and sustainable economic growth in the regions.

**The Managing Authority** of the OPE is the **MoE**.

Table 13 Indicative Priority Axes of the OPE Environment

OP Priority Axes
Priority Axis 1 – Improvement of water management infrastructure and reduction of floods risk
Priority Axis 2 – Improvement of air quality and reduction of emissions
Priority Axis 3 – Sustainable use of energy resources
Priority Axis 4 – Improvement of waste management and removal of old environmental burdens
Priority Axis 5 – Limitation of industrial pollution and environmental risks
Priority Axis 6 – Improvement of state of nature and landscape
Priority Axis 7 – Development of infrastructure for environmental education, consultancy and awareness

## Priority Axis 8 – Technical assistance

**8.6. Operational Programme Transport**

**The global objective** of the OP Transport is making transport more accessible. It will be executed in the following modes of transport: rail, road (in state ownership, i.e. motorways and main roads – expressways and other main roads), inland waterways, multi-modal and by investment to environment-friendly urban transport.

**The Managing Authority** of the OPT is the **MoT**.

Table 14 Indicative Priority Axes of the OP Transport

<b>OP Priority Axes</b>
Priority Axis 1 – Modernisation of the TEN-T rail network
Priority Axis 2 – Construction and modernisation of the TEN-T motorway and road network
Priority Axis 3 – Modernisation of the rail network except for the TEN-T network
Priority Axis 4 – Modernisation of class I roads except for the TEN-T network
Priority Axis 5 – Modernisation and development of the Prague metro and road transport management systems in the Capital City of Prague
Priority Axis 6 – Support of multimodal freight transport and development of inland waterways
Priority Axis 7 – Technical assistance

**8.7. Integrated Operational Programme**

**The global objective** of the Integrated Operational Programme is modernisation and streamlining of activities and processes in the area of public administration, public services and management of territorial development by means of modernising the technical background, as a prerequisite for the development of modern civil society and increased competitiveness of regions and the CR as a whole. IOP integrates several thematic areas with a common base, which is strengthening of smart administration and public services primarily through development of information and social infrastructure. IOP is a multi-objective operational programme, specific priority axes shall be complemented by Regional Competitiveness and Employment Objective resources so that the activities within the axis are eligible on the whole territory of the CR, including the Capital City of Prague.

**The Managing Authority** of the IOP is the **MRD**.

**Multiobjectiveness** – IOP is a multi-objective operational programme. The multiobjectiveness is connected to activities of systemic, respectively national character and the implementation of these activities should influence the whole territory of the CR, i.e. including the Capital City of Prague. Activities of the systemic character with national impact are component of activities aimed at the modernisation of the public administration via the use of ICT, aimed at the support of tourism and finally these activities are also part of the Technical Assistance.

The Managing Authority of IOP will ensure in approving projects to be cofinanced that resources allocated for Convergence Objective will not be used for financing of interventions in the territory of the Regional Competitiveness and Employment Objective. At the same time, the Managing Authority of IOP in cooperation with the MAs of ROP guarantees that the IOP activities will not be duplicated by the ROP activities, i.e. the same type of activities will not be implemented for the same target group.

Table 15 Indicative Priority Axes of the Integrated Operational Programme

<b>OP Priority Axes</b>	
Priority Axis 1a	– Smart administration (Convergence)
Priority Axis 1b	– Smart administration (RCE)
Priority Axis 2	– ICT in local public administration (Convergence)
Priority Axis 3	– Increased quality and accessibility of public services
Priority Axis 4a	– National support for tourism (Convergence)
Priority Axis 4b	– National support for tourism (RCE)
Priority Axis 5	– National support for territorial development (Convergence)
Priority Axis 6a	– Technical assistance (Convergence)
Priority Axis 6b	– Technical assistance (RCE)

## 8.8. Regional Operational Programmes

The global objective of the regional operational programmes is aimed at boosting development of the CR regions, at increase of their competitiveness and attractiveness for investment, and at enhancing the quality of life of the population, while respecting balanced and sustainable development of the regions following from utilisation of their potential.

The Managing Authorities are Regional Councils of the individual cohesion regions.

Table 16 Operational programmes of cohesion regions

<b>OP</b>	<b>Regions</b>	<b>Seat of the managing authority</b>
Southwest	Plzeň and South Bohemian	České Budějovice
Southeast	Vysočina and South Moravian	Brno
Central Moravia	Olomouc and Zlín	Olomouc
Northwest	Ústí and Karlovy Vary	Ústí nad Labem
Northeast	Liberec, Hradec Králové and Pardubice	Hradec Králové
Moravia-Silesia	Moravian-Silesian	Ostrava
Central Bohemia	Central Bohemia	Praha

Table 17 Indicative Priority Axes of ROPs

<b>ROPs</b>	<b>Priority Axes of ROPs</b>
<b>ROP NUTS II Southwest</b>	Priority Axis 1 – Accessibility of centres Priority Axis 2 – Stabilisation and development of towns and municipalities Priority Axis 3 – Development of tourism Priority Axis 4 – Technical assistance
<b>ROP NUTS II Southeast</b>	Priority Axis 1 – Accessibility of transport Priority Axis 2 – Development of sustainable tourism Priority Axis 3 – Sustainable development of towns and rural settlements Priority Axis 4 – Technical assistance
<b>ROP NUTS II Central Moravia</b>	Priority Axis 1 – Transport Priority Axis 2 – Integrated development and renewal of the region Priority Axis 3 – Tourism Priority Axis 4 – Technical assistance
<b>ROP NUTS II Northwest</b>	Priority Axis 1 – Urban regeneration and development Priority Axis 2 – Integrated support of local development Priority Axis 3 – Transport accessibility and services Priority Axis 4 – Sustainable development of tourism Priority Axis 5 – Technical assistance
<b>ROP NUTS II Northeast</b>	Priority Axis 1 – Development of transport infrastructure

	Priority Axis 2 – Development of urban and rural areas Priority Axis 3 – Tourism Priority Axis 4 – Development of business environment Priority Axis 5 – Technical assistance
<b>ROP NUTS II Moravia</b>	Priority Axis 1 – Regional infrastructure and accessibility Priority Axis 2 – Support for the prosperity of the region Priority Axis 3 – Urban development Priority Axis 4 – Rural development Priority Axis 5 – Technical assistance
<b>Silesia</b>	Priority Axis 1 – Transport Priority Axis 2 – Tourism Priority Axis 3 – Integrated territorial development Priority Axis 4 – Technical assistance
<b>ROP NUTS II Central Bohemia</b>	Priority Axis 1 – Transport Priority Axis 2 – Tourism Priority Axis 3 – Integrated territorial development Priority Axis 4 – Technical assistance

### 8.9. Operational Programme Technical Assistance

The Operational Programme Technical Assistance is intended to ensure activities supporting effective management, control, monitoring and evaluation of implementation of the NSRF, which covers the activities of economic policy and social cohesion policy in the CR, and for activities connected with the use of resources from the SF and CF, which require a unified approach at the national level.

The financial allocation of OP TA is determined to provide coordination and management of the NSRF, including its horizontal themes. The NSRF implementation as described in chapter 11 will be ensured through the OPTA. The priorities of OP TA are: management of NSRF; monitoring of NSRF on all levels (project – priority axis – programme); administrative capacity of the implementation structure of NSRF and OP, namely NCA, AA; education of the employees within the implementation structure (NCA, AA, MA and their IB), incl. education of public sector employees involved in the OP implementation, publicity and awareness of the public on the level of NSRF, and financing common activities of MAS based on the Communication Plan.

This OP is conceived as a multi-objective.

The OP TA activities will also be supported by the technical assistance of other OPs under the coordination of the NCA.

**The Managing Authority** of the OPTA is the NCA – MRD. The MoF will be also involved in implementation.

Table 18 Indicative Priority Axes of the OP Technical Assistance

OP Priority Axis
Priority Axis 1a – Management of NSRF (Convergence)
Priority Axis 1b – Management of NSRF (RCE)
Priority Axis 2a – Monitoring of NSRF (Convergence)
Priority Axis 2b – Monitoring of NSRF (RCE)
Priority Axis 3a – Administrative Capacity (Convergence)
Priority Axis 3b – Administrative Capacity (RCE)
Priority Axis 4a – Publicity and Awareness (Convergence)
Priority Axis 4b – Publicity and Awareness (RCE)

### **Regional Competitiveness and Employment Objective**

Part of the allocation of Regional Competitiveness and Employment objective will be used by means of the OP HRE, OP EC, IOP and OP TA for the support of nationwide systems interventions. The volume of resources transferred is based on simple transparent methods of calculation<sup>39</sup> which reflects the administrative and social-economic situation in the CR and also makes provisions for the logic of anticipated interventions.

### **8.10. Operational Programme Prague – Competitiveness**

For the Regional Competitiveness and Employment objective of the NUTS II region, the Capital City of Prague (financed from ERDF).

**The global objective** of the OP Prague – Competitiveness is to increase the competitiveness of Prague as a dynamic metropolis of an EU Member State, by means of eliminating development barriers and weaknesses of the region, enhancing quality of urban environment, improving accessibility of transport and telecommunication services and evolving the innovative potential of the city.

**The Managing Authority** of this operational programme is the **Capital City of Prague**.

Table 19 Indicative Priority Axes of the OP Prague – Competitiveness

<b>OP Priority Axes</b>
Priority Axis 1 – Accessibility and the environment
Priority Axis 2 – Innovations and enterprise
Priority Axis 3 – Technical assistance

### **8.11. Operational Programme Prague – Adaptability**

**The global objective OP Prague – Adaptability** aims to raise Prague's competitiveness by promoting the adaptability and efficiency of its human resources and by improving access to employment for all. Fulfilling this objective contributes to strengthening the sustainable social-economic development of the region and increasing the importance of the Capital City of Prague in the central European region in comparison with the capitals of other Member States.

**The Managing Authority** of this operational programme is the **Capital City of Prague**.

Table 20 Indicative Priority Axes of the OP Prague – Adaptability

<b>OP Priority Axes</b>
Priority Axis 1 – Support for the development of knowledge economy
Priority Axis 2 – Support to the entry to the labour market
Priority Axis 3 – Modernisation of initial education
Priority Axis 4 – Technical assistance

### **European Territorial Co-operation Objective**

#### *Cross-border co-operation*

Within the European Territorial Co-operation objective five bilateral OPs of Cross-border Co-operation will be implemented in the programming period of 2007-2013, namely **the Czech-Bavarian, the Czech-Saxon, the Czech-Austrian, the Czech-Slovak and the Czech-Polish programme.**

<sup>39</sup>The calculation of the financial allocation is in details described in the relevant operational programmes, i.e. the OP HRE, OPEC and IOP.

### 8.12. Operational Programme Czech Republic-the Independent State of Bavaria 2007-2013

**The global objective** of the OP is further development of the Czech-Bavarian border area as a common and perspective living, natural and economic area, strengthening competitiveness of the Czech-Bavarian border area and improving sustainability of living conditions for its inhabitants. The Managing Authority of the Czech-Bavarian operational programme is the Bavarian State Ministry of Economy, Infrastructure, Transport and Technology. **The national co-ordinator** co-ordinating activities of the OP, is **the MRD**.

Table 21 Indicative Priority axes of the OPCross-BorderCo-operationCR-Bavaria

<b>OP Priority Axes</b>
Priority Axis 1 – Economic development, human resources and cooperation networks
Priority Axis 2 – Development of the area and of the environment

### 8.13. Operational Programme the Independent State of Saxony - the Czech Republic 2007-2013

**The global objective** of the OP is implementation of cross-border economic, social and environmental activities through joint strategies supporting sustainable territorial development. The Managing Authority of the Czech-Saxon operational programme is the Saxon State Ministry of Economy and Labour. **The national co-ordinator** co-ordinating activities of the OP is **the MRD**.

Table 22 Indicative Priority Axes of the OPCross-borderCo-operationSaxony-Czech Republic

<b>OP Priority Axes</b>
Priority Axis 1 – Development of social framework condition in the eligible area
Priority Axis 2 – Development of economy and tourism
Priority Axis 3 – Improvement of situation of nature and environment
Priority Axis 4 – Technical assistance

### 8.14. Operational Programme Austria–the Czech Republic 2007-2013

**The global objective** of the OP is to increase and intensify the co-operation in this cross-border region and the support of sustainable economic growth by means of removal of existing barriers and enhancement of the whole development potential of the territory.

The Managing Authority of the Czech-Austrian operational programme is the Office of the Government of Lower Austria. **The national co-ordinator** co-ordinating activities of the OP is **the MRD**.

Table 23 Indicative Priority Axes of the OPCross-borderCo-operationAustria-CR

<b>OP Priority Axes</b>
Priority Axis 1 – Social economic development, tourism and know-how transfer
Priority Axis 2 – Regional accessibility and sustainable development
Priority Axis 3 – Technical assistance

### 8.15. Operational Programme the Slovak Republic-the Czech Republic 2007-2013

**The global objective** of the OP is growth of cohesion and convergence of the cross-border region; creation of a functional network of co-operating authorities aiming at supporting sustainable, integrated economic, environmental, social and cultural development of the border region by improving accessibility, development of ICT use, to tourism, preservation and development of cultural traditions.

The Managing Authority of the Czech-Slovak operational programme is the Ministry of Construction and Regional Development of the Slovak Republic. **The national co-ordinator** coordinating activities of the operational programme is **the MRD**.

Table 24 Indicative Priority Axes of the OPC Cross-border Co-operation Slovakia-CR

<b>OP Priority Axes</b>
Priority Axis 1 – Support of social, cultural and economic development and cooperation in the cross border region
Priority Axis 2 – Development of the cross-border region accessibility and environment
Priority Axis 3 – Technical support

### 8.16. Operational Programme the Czech Republic-Poland 2007-2013

**The global objective** of the OP is support of the social-economic development of the territory of the Czech-Polish border area, through strengthening its competitiveness and cohesion, and in promoting partner cooperation of its inhabitants.

**The Managing Authority** of the operational programme is **the MRD**.

Table 25 Indicative Priority Axes of the OPC Cross-border Co-operation CR-Poland

<b>OP Priority Axes</b>
Priority Axis 1 – Strengthening of accessibility, environmental protection and risk prevention
Priority Axis 2 – Support of development of business environment and tourism
Priority Axis 3 – Supporting of local communities cooperation
Priority Axis 4 – Technical assistance

#### *Multi-national co-operation*

### 8.17. Operational Programme Trans-national Co-operation

In co-operation with Austria, Poland, Germany (part), Hungary, Slovenia, Slovakia, Italy (part) and out of non-EU member states also in co-operation with the Ukraine, the CR will participate in the next generation of international programmes of trans-national co-operation in the Central European area.

**The global objective** of the programme is to improve the competitiveness of Central Europe by creating and strengthening the existing measures and structures in the area of innovation and accessibility, and also on improving social and environmental sustainability thanks to improved quality of the environment and the development of attractive towns in Central Europe.

The Managing Authority for trans-national co-operation will be located outside of the CR. **The national co-ordinator** of trans-national co-operation in the CR is **the MRD**.

#### *Inter-regional co-operation*

### 8.18. Operational Programme Interregional Co-operation

The CR will participate in the next generation of interregional programmes, including ESPON II, INTERACT II and Interreg IV C programmes.

**The global objective** of the programme is to improve the efficiency of the regional development policy in the fields of innovation, knowledge-based economy, the environment and protection against risks by inter-regional co-operation. It concentrates on co-operation in the area of innovation and knowledge-based economy with a focus on regional capacities for research and technology development, on supporting SMEs, supporting development of trade and innovative initiatives and the promotion of ICT use, on the environment and protection against risks with a stronger focus on water management, including coastal areas, waste management, on biodiversity, efficient use of resources and renewable resources, sustainable public transport, prevention and management of

natural and technology risks and natural and cultural heritage. The aim is to enable stakeholders at the regional and local levels from various EU countries to exchange their experience and knowledge and develop and improve instruments and approaches of regional policy.

The Managing Authority for interregional co-operation will be located outside of the CR. **The national co-ordinator** of interregional co-operation in the CR is **the MRD**.

### 8.19. Setting of technical interfaces of OPs

#### *Brownfields*

The regeneration of brownfields, supposed to be used especially for business purposes, will be supported via the OPEI. (Remark: Future purpose of the property should fall into the category within 15-37 of CZ-NACE - Industrial Classification of Economic Activities or be used as technological and strategy centres).

The regeneration of other brownfields except of the brownfields supposed for agricultural purposes will be supported via the ROPs.

The seriously environmentally contaminated brownfields sites will be handled by means of by the OPEI. Less serious contaminations will be treated via the OPEI and the ROPs on the basis of the position statement of the MoE.

#### *Innovations*

The division of OPEI and OPR&DI is factually supported by different modes in relation to state aid. OPR&DI supports the use of R&D results mainly in the area of public research institutes and universities. The support is terminated at the moment when the R&D results are ready to be commercialised. Once a business entity is established or a commercial co-operation starts, support is implemented through the OPEI.

#### *End-use energy efficiency*

OPEI will focus on supporting business entities in the area of energy savings and also supporting central support will be provided through OPEI. the area of using renewable energy sources, in rural heat distribution systems; in other cases,

#### *Air protection*

As far as measures focusing on improvement of air quality and reduction of emissions are concerned, OPEI will focus on indirect measures for better end-use energy efficiency, or lower energy intensiveness; OPEI will support direct measures leading to the reduction of emissions, respectively aiming at environmental protection.

#### *Life-long learning*

OPHRE will only support education in businesses and organisations. In other cases, support will be provided through OPEC.

#### *Healthcare*

ICT in healthcare will only be supported through IO P.

#### *Public greens*

ROPs will deal with the issue of public greenery in urban and rural areas. Other environmental aspects will be tackled by OPEI.

Table 26 Relation of NSRF priorities to priority axes of the Operational Programmes

## Relation of NSRF priorities to priority axes of the Operational Programmes

STRATEGIC OBJECTIVE	NSRF PRIORITY	OP PRIORITY AXIS
<b>Competitive Czech economy</b>		
	<b>Competitive business sector</b>	OP Enterprise and Innovations <ul style="list-style-type: none"> <li>• Establishment of firms</li> <li>• Development of firms</li> <li>• Environment for enterprise and innovation</li> <li>• Business development services</li> </ul> OP HRE <ul style="list-style-type: none"> <li>• Adaptability</li> </ul> OP Prague - Adaptability <ul style="list-style-type: none"> <li>• Support for development of knowledge economy</li> </ul>
	<b>Support of R&amp;D capacities</b>	OP Research and Development for Innovations <ul style="list-style-type: none"> <li>• Development of R&amp;D capacities</li> <li>• Development of capacities for cooperation of the public and private sector in research and development</li> <li>• Strengthening of capacities of universities for tertiary education</li> </ul> OP Enterprise and Innovation <ul style="list-style-type: none"> <li>• Innovation</li> </ul> OP Education for Competitiveness <ul style="list-style-type: none"> <li>• Tertiary education, research and development</li> </ul> OP PA <ul style="list-style-type: none"> <li>• Support for development of knowledge economy</li> </ul>
	<b>Development of sustainable travel and tourism sector</b>	ROPs <ul style="list-style-type: none"> <li>• Development of tourism</li> </ul> IOP <ul style="list-style-type: none"> <li>• National support for tourism</li> </ul>
<b>Open, flexible and cohesive society</b>		
	<b>Education</b>	OP Education for Competitiveness <ul style="list-style-type: none"> <li>• Initial education</li> <li>• Further education</li> <li>• Tertiary education, research and development</li> </ul> OP Research and Development for Innovations <ul style="list-style-type: none"> <li>• Strengthening capacities of universities for tertiary education</li> </ul> OP Prague - Adaptability <ul style="list-style-type: none"> <li>• Modernisation of initial education</li> </ul> OP HRE <ul style="list-style-type: none"> <li>• PO Adaptability</li> </ul> ROPs (support of physical infrastructure in regional education)

<b>Increasing employment and employability</b>	OP Human Resources and Employment <ul style="list-style-type: none"> <li>• Adaptability</li> <li>• Active labour market policies</li> <li>• Transnational cooperation</li> </ul> IOP (Integrated OP) <ul style="list-style-type: none"> <li>• Increasing the quality and accessibility of public services</li> </ul> OP Prague - Adaptability <ul style="list-style-type: none"> <li>• Support for the development of knowledge economy</li> </ul> OP Education for Competitiveness <ul style="list-style-type: none"> <li>• Initial education</li> <li>• Tertiary education, research and development</li> </ul>
<b>Strengthening of social cohesion</b>	OP Human Resources and Employment <ul style="list-style-type: none"> <li>• Social integration and equal opportunities</li> </ul> IOP <ul style="list-style-type: none"> <li>• Increasing the quality and accessibility of public services</li> </ul> OP Prague - Adaptability <ul style="list-style-type: none"> <li>• Support to the entry to the labour market</li> </ul>
<b>Development of information society</b>	IOP <ul style="list-style-type: none"> <li>• Smart administration</li> </ul> OP Human Resources and Employment <ul style="list-style-type: none"> <li>• Public administration and public services</li> <li>• Active labour market policies</li> </ul> OP Education for Competitiveness <ul style="list-style-type: none"> <li>• Further education</li> </ul> OP Enterprise and Innovation <ul style="list-style-type: none"> <li>• Environment for enterprise and innovation</li> <li>• Business development service</li> </ul> OP Research and Development for Innovations         OP Prague – Adaptability <ul style="list-style-type: none"> <li>• Support for the development of knowledge economy</li> </ul>
<b>Smart Administration</b>	OP Human Resources and Employment <ul style="list-style-type: none"> <li>• Public administration and public services</li> </ul> IOP (Integrated OP) <ul style="list-style-type: none"> <li>• Smart administration</li> <li>• Increasing the quality and accessibility of public services</li> <li>• National support for territorial development</li> </ul>

**Attractive environment**

	<b>Protection and improvement of the quality of environment</b>	OP Environment <ul style="list-style-type: none"> <li>• Improvement of water management infrastructure and reduction of floods risk</li> <li>• Improvement of air quality and reduction of emissions</li> <li>• Sustainable use of energy sources</li> <li>• Improvement of waste management and removal of old environmental burdens</li> <li>• Limitation of industrial pollution and environmental risks</li> <li>• Improvement of state of nature and landscape</li> <li>• Development of infrastructure for environmental education, consultancy and awareness</li> </ul> OP Enterprise and Innovation <ul style="list-style-type: none"> <li>• Effective energy</li> </ul>
	<b>Improving accessibility to transport</b>	OP Transport <ul style="list-style-type: none"> <li>• Modernisation of the TEN-T railway network</li> <li>• Construction and modernisation of the TEN-T motorway and road network</li> <li>• Modernisation of the railway network outside TEN-T</li> <li>• Modernisation of the primary roads outside TEN-T</li> <li>• Support of multimodal freight transport and development of inland waterways</li> </ul>
<b>Balanced development of territory</b>		
	<b>Balanced regional development</b>	ROPs <ul style="list-style-type: none"> <li>• (Integrated support for local development)</li> <li>• Transport, Transport infrastructure, Transport accessibility, availability of transport</li> <li>• Public transport (replacement of vehicles)</li> </ul> IOP <ul style="list-style-type: none"> <li>• National support for territorial development</li> </ul>
	<b>Development of urban areas</b>	ROPs IOP <ul style="list-style-type: none"> <li>• National support for territorial development</li> </ul>
	<b>Development of rural areas</b>	ROPs IOP <ul style="list-style-type: none"> <li>• National support for territorial development</li> </ul>
	<b>Regional competitiveness and employment – the Capital City of Prague</b>	OP Transport <ul style="list-style-type: none"> <li>• Modernisation and development of Prague metro (underground) and road traffic management systems in the Capital City of Prague</li> </ul> OP Prague - Competitiveness <ul style="list-style-type: none"> <li>• Availability of the environment</li> <li>• Innovations and enterprise</li> </ul> OP Prague - Adaptability <ul style="list-style-type: none"> <li>• Support for the development of knowledge economy</li> <li>• Support to the entry to the labour market</li> <li>• Modernisation of the initial education</li> </ul>

<b>Territorial cooperation</b>	OP the Czech Republic – Poland OP the Czech Republic – the Slovak Republic OP the Czech Republic – the Independent State of Saxony OP the Czech Republic – Austria OP the Czech Republic – the Independent State of Bavaria OP Inter-regional Cooperation OP Transnational Cooperation
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Table 27 Indicative year allocations by funds and programmes (EUR, current prices)

## Financial table NSRF – indicative annual allocation by funds and programmes (EUR, current prices)

Operational Programme	Fund	Total	2007	2008	2009	2010	2011	2012	2013
<b>Convergence Objective</b>		<b>Community Contribution</b>							
<b>ERDF and CF</b>									
OP Enterprise and Innovation	ERDF	3041312546	377345254	395906354	414548594	434062564	453585440	473037352	492826988
OP Research and Development for Innovations	ERDF	2070680884	256915918	269553263	282245851	295531959	308824129	322067985	335541779
OP Environment		4917867098	610175305	640188999	670333897	701888402	733457306	764911464	796911725
	ERDF	702482212	86205245	90804359	95419735	100257642	105092757	109904133	114798341
	CF	4215384886	523970060	549384640	574914162	601630760	628364549	655007331	682113384
OP Transport		5774081203	716408494	751647653	787040861	824089092	861154228	898084641	935656234
	ERDF	1170443650	144178837	151662639	159174961	167045895	174914962	182748693	190717663
	CF	4603637553	572229657	599985014	627865900	657043197	686239266	715335948	744938571
Integrated Operational Programme	ERDF	1553010664	192686939	202164946	211684389	221648970	231618096	241550989	251656335
Regional Operational Programmes		4659031986	578060815	606494841	635053166	664946907	694854290	724652965	754969002
Central Bohemia	ERDF	559083839	69367298	72779381	76206380	79793628	83382515	86958356	90596281
Southwest	ERDF	619651254	76882089	80663814	84462070	88437939	92415621	96378844	100410877
Northwest	ERDF	745911021	92547536	97099824	101672012	106458000	111246172	116016940	120870537
Southeast	ERDF	704445636	87402795	91702020	96020039	100539972	105061969	109567528	114151313
Northeast	ERDF	656457606	81448769	85455123	89478991	93691019	97904969	102103603	106375132
Moravia-Silesia	ERDF	716093217	88847947	93218257	97607672	102202340	106799104	111379161	116038736
Central Moravia	ERDF	657389413	81564381	85576422	89606002	93824009	98043940	102248533	106526126
OP Technical Assistance	ERDF	243835110	30253392	31741516	33236144	34800663	36365896	37925439	39512060
<b>ESF</b>									
OP Human Resources and Employment	ESF	1811845772	224801428	235859105	246965120	258590464	270221113	281809486	293599056

OP Education for Competitiveness	ESF	1811845772	224801428	235859105	246965120	258590464	270221113	281809486	293599056
<b>TOTAL Convergence Objective</b>		<b>25883511035</b>	<b>3211448973</b>	<b>3369415782</b>	<b>3528073142</b>	<b>3694149485</b>	<b>3860301611</b>	<b>4025849807</b>	<b>4194272235</b>
<i>of which: Regional convergence</i>		<i>17064488596</i>	<i>2115249256</i>	<i>2220046128</i>	<i>2325293080</i>	<i>2435475528</i>	<i>2545697796</i>	<i>2655506528</i>	<i>2767220280</i>
Total ERDF		13440797052	1665646400	1748327918	1831362840	1918294600	2005255570	2091887556	2180022168
Total ESF		3623691544	449602856	471718210	493930240	517180928	540442226	563618972	587198112
<b>Cohesion Fund</b>		<b>8819022439</b>	<b>1096199717</b>	<b>1149369654</b>	<b>1202780062</b>	<b>1258673957</b>	<b>1314603815</b>	<b>1370343279</b>	<b>1427051955</b>

Competitiveness Objective		Community Contribution							
ERDF									
OP Prague Competitiveness	ERDF	234936005	31601702	32233735	32878410	33535979	34206698	34890832	35588649
Integrated operational programme	ERDF	29379498	3951894	4030931	4111551	4193781	4277657	4363210	4450474
OP Technical Assistance	ERDF	3948062	531062	541683	552516	563567	574837	586335	598062
ESF									
OP Prague Adaptability	ESF	108385242	14579111	14870693	15168107	15471469	15780898	16096517	16418447
OP Human Resources and Employment	ESF	25575633	3440228	3509033	3579214	3650798	3723814	3798290	3874256
OP Education for Competitiveness	ESF	16869009	2269083	2314466	2360754	2407969	2456130	2505251	2555356
<b>TOTAL Competitiveness Objective</b>		<b>419093449</b>	<b>56373080</b>	<b>57500541</b>	<b>58650552</b>	<b>59823563</b>	<b>61020034</b>	<b>62240435</b>	<b>63485244</b>
Total ERDF		268263565	36084658	36806349	37542477	38293327	39059192	39840377	40637185
Total ESF		150829884	20288422	20694192	21108075	21530236	21960842	22400058	22848059

EAFRD and EFF commitments		Community Contribution							
<b>EAFRD</b>		<b>2815506354</b>	<b>396623321</b>	<b>392638892</b>	<b>388036387</b>	<b>400932774</b>	<b>406640636</b>	<b>412672094</b>	<b>417962250</b>
<b>EFF</b>		<b>27106675</b>	<b>3360014</b>	<b>3526490</b>	<b>3693682</b>	<b>3868715</b>	<b>4043811</b>	<b>4218249</b>	<b>4395714</b>

Source: MoF

## **9. FOCUS OF THE ECONOMIC AND SOCIAL COHESION POLICY AND ITS LINK TO THE RURAL DEVELOPMENT AND FISHERIES POLICY**

In compliance with the provisions of the appropriate regulations, a definition must be made between economic and social cohesion funding and interventions funded from the European Agricultural Fund for Rural Development (EAFRD) and the European Fisheries Fund (EFF), so as to achieve synergy effects, prevent overlapping and eliminate uncovered areas.

### **9.1 Rural Development Policy**

The overall amount of funds that will be allocated through the EAFRD – Rural Development Programme is CZK 10.5 billion annually (in total ca. CZK 73 billion). Allocation for the 3<sup>rd</sup> axis, which is aimed directly at rural development, accounts for almost 17% of these funds. The allocation for the LEADER programme, amounts to CZK 0.5 billion, and must be added to this sum.

#### *The Convergence Objective*

When developing the strategies of the economic and social cohesion policy and the rural development policy, the following areas of potential overlaps were defined:

#### **9.1.1 Development of enterprise in three dimensions**

- strengthening competitiveness of the food-processing industry,
- biomass processing and renewable energy sources
- development of SMEs in rural areas – services, crafts, micro-enterprises.

With respect to the food-processing industry, Annex I to the EC Treaty will be followed. The agricultural, so-called "Annex I" items will be supported from the level of the Rural Development Programme, the so-called "non-Annex I" items through cohesion policy interventions – the OPEI – the MIT. The Rural Development Programme will support natural persons and legal entities engaged in agricultural production under the Act on Agriculture. Through the OPEI, the MIT will support business entities other than those defined under the Act on Agriculture and also municipalities (or groups or associations of municipalities).

In the area of business support for activities associated with the establishment and development of the smallest existing non-agricultural enterprises – micro-enterprises, including new trade licenses in fields of production, processing and services regardless of the sector, particularly in the area of crafts and services, with the aim of creating jobs and developing a diverse economic structures of non-agricultural activities in rural areas, the Rural Development Programme will provide assistance for municipalities of up to 2,000 inhabitants.

#### **9.1.2 Renewable energy sources**

The Rural Development Programme will support investments associated with biomass processing by agricultural entrepreneurs. In other cases, assistance will be provided through the cohesion policy.

#### **9.1.3 Brownfields**

The Economic and Cohesion policy will not deal with the regeneration of the brownfields supposed for the future agricultural use within the areas of agriculture and manufacturing industry listed in the Annex I to the EC Treaty.

#### 9.1.4 Local roads and technical infrastructure

The Rural Development Programme will focus on the support of projects up to CZK 5 million in municipalities of up to 500 inhabitants. In other cases, the support will be provided through the cohesion policy.

#### 9.1.5 Other activities associated with the development of rural municipalities including the public facilities and services

- revitalisation, reconstruction, modernisation and aesthetic improvements of rural settlements, municipal buildings, built-up areas, public space and village greenery and other important aspects of rural heritage,
- basic public facilities in rural areas (educational, health and social) and services,
- development of special interest activities and associations,
- use of ICT.

The Rural Development Programme will focus on the support for projects in municipalities of up to 500 inhabitants. In other cases, the support will be provided through the cohesion policy.

- Development of partnerships and cooperation, civic initiatives, share of inhabitants in strategies of municipal and micro-regional development, local decision-making and democracy-Leader local action groups – interterritories with 10,000–100,000 inhabitants.

The development of other partnerships may be supported by the cohesion policy.

#### 9.1.6 Development of cultural heritage in rural areas

- Studies, projects and programmes for identification and evaluation of cultural heritage, including cultural heritage areas,
- revitalisation, reconstruction, modernisation and aesthetic improvements to rural monuments,
- maintaining and developing the identity of rural areas,
- development of ethnographic features and traditions,
- development of cultural association activities.

The Rural Development Programme will focus on the support of projects in municipalities with up to 500 inhabitants. In other cases, the support will be provided through the cohesion policy.

#### 9.1.7 Development of tourism

The Rural Development Programme will focus on the support for agricultural entrepreneurs and also start-up enterprises in tourism in municipalities of up to 2,000 inhabitants. Through the ROPs, entrepreneurs engaged in the travel and tourism sector capable of proving a two-year accounting history and entrepreneurs in municipalities with over 2,000 inhabitants, will be supported.

#### 9.1.8 Water management infrastructure, waste water treatment plants in settlements under 2,000 population equivalents (PE)

The Rural Development Programme will support waste water treatment plants and sewerage systems in settlements under 2,000 PE will be financed. The OP E will finance waste water treatment plants and sewage systems in agglomerations over 2,000 PE and in specially protected territories under the Act No. 114/1992 Coll., on nature and landscape protection, including the Natura 2000 and Novomlýnské reservoirs.

### **9.1.9 Water management measures in the landscape**

Under the Rural Development Programme, only landscape projects will be financed (e.g. in the case of dry polders) where Land Offices are beneficiaries. In other cases, the support will be provided through the cohesion policy – the OPE.

### **9.1.10 Forest management**

The Rural Development Programme defines the entities operating in forests owned by both natural persons and municipalities as its beneficiaries, the Ministry of the Environment will support other beneficiaries – legal entities that were entrusted to manage the state-owned forests.

### **9.1.11 Human resources**

The Rural Development Programme will support consulting activities and dissemination of information for agricultural entities and entities in the forest management within the scope of EAFRD and for other subjects in the rural areas. Information helping with the development of business activities will also be disseminated. All other trainings, education and research in the agricultural sphere, forestry and rural development will be supported by the cohesion policy.

#### *The Regional competitiveness and employment objective*

Only the region of the Capital City of Prague is eligible to draw funds from the above objective of the cohesion policy. There will be no overlaps between the support provided through the economic and social cohesion policy and the agricultural policy for rural development due to the urban nature of the territory.

#### *The European territorial cooperation objective*

The support provided through this objective focuses on the implementation of joint projects in the cross-border, inter-regional and supra-national context, which requires to prove impacts of support also in the territory outside of the CR. Due to the fact that interventions of the Rural Development Programme do not contain this dimension, there are no actual overlaps between the support provided by both policies.

Furthermore, in contrast with the Rural Development Programme, those activities whose beneficiaries will be agriculturalists, are not going to be supported, no funding will be provided for training agriculturalists, individuals employed in agriculture and forestry or groups of producers, and the projects will not be available for the modernisation of agricultural farms, agricultural activities, buildings, etc.

## **9.2 Activities of the European Fisheries Fund**

The EFF will provide support in the area of aquaculture and measures in common interest.

### **9.2.1 Productive Investment in Aquaculture**

In the case of fish rearing ponds, the support will be provided through the EFF according to the Article 29 of the EFF Regulation. In other cases (e.g. flood control) the interventions will be implemented through the cohesion policy – the OPE.

### **9.2.2 Fish migration routes**

The support in the area of securing migration routes for migratory fish will be provided from the resources of the EFF with respect to the Article 38 par. 2 (fish migration routes). According to par. 3 of the same Article, the CR shall for that purpose appoint authorised beneficiaries in the OP

Fisheries 2007 – 2013. Other beneficiaries than those stated above will draw the funding for interventions in this area from the OPE.

### 9.2.3 Spawning place for fish

Support for the sphere of spawning places for fish will be granted from the EFF up to the amount of 1 million CZK of eligible expenditure per operation. The interventions will be implemented in accordance with the Article 38, par. 2 (spawning grounds). With respect to par. 3 of the same Article, the CR shall for that purpose appoint authorised beneficiaries in the OP Fisheries 2007 – 2013. The MA will ensure mutual informedness and will cooperate when deciding about the use of funding so as to avoid the risk of double financing. Other interventions in this sphere will be funded from the OPE.

### 9.3. Co-ordination and co-operation of Managing Authorities

- Co-ordination and co-operation between the Managing Authorities of the Rural Development Programme, the EFF and operational programmes of cohesion policy will be secured by a working group at a regional level (composed of representatives of the regional workplace of the State agricultural intervention fund, the MoA, the MRD and regional council of respective ROP – to supervise over overlapping).
- Co-ordination and co-operation between the Managing Authorities of the Rural Development Programme, EFF and operational programmes of cohesion policy will be secured by a departmental co-ordination group of the MRD at the central level. This group will make available a database of all projects in individual programmes to all Managing Authorities.
- Co-ordination and co-operation of the Managing Authorities of national operational programmes of the ESF will be secured, that is the OPHRE and the OPEC, especially in the sphere of education or possibly retraining of workers.

## 10. MACROECONOMIC MODEL

The impact of the use of the SF and the CF on the CR in the period 2007–2013 can be subdivided into two – subsequent – periods; the first one is the impact in the course of the implementation period, the second one then the stage when the mechanism arising from the support for the economy's supply side is already exclusively operating.

In the course of the seven-year implementation period (2007 – 2013), the impact on the Czech economy may be explained, basically, by two independent components:

- dominant component on the economy's demand side, which is in particular influenced by expenditure of the Structural Funds allocated to public and accompanying private investment;
- dominant component on the economy's supply side impacts that arise due to the gradual build-up of "stocks" of infrastructure, human capital and R&D, and the beneficial spillovers that will be generated both during and after the NSRF.

Should the impact analysis (assessment) of the NSRF for the period 2007–2013 be limited (i.e. to the implementation period), it would be very difficult to identify those two separate effects on the economic development. The performance of the CR's economy was influenced by a number of factors that are outside the scope of the NSRF and this impact will continue even in the future (through the Single Internal Market, foreign direct investments, performance of key trade partners of the CR, etc.).

A comprehensive analysis of the impacts of the policy of social and economic cohesion is based on mutual integration of those two separate processes. In order to identify the separate supply-side impacts, we have to simulate the model out beyond the year 2015. Model simulations are completed in 2020, i.e. five years after the completion of the NSRF. The analysis based on this model shows that even though implementation impacts are extensive, they will completely vanish after 2013. The supply-side impacts, although more modest, endure for many years, due to the spillover benefits of the improved stocks of physical infrastructure, human capital and R&D.

The CR HCZ5 HERMIN model will enable to identify and quantify those separate chains of demand and supply causalities. This model was prepared in the framework of the evaluation project and published in Report 2 by John Bradley, Vitezslav Pisa, Gerhard Untiedt, David Vavra (Analysis of the impacts of the Czech National Strategic Reference Framework based on the new Czech HERMIN model, Muenster, 12 November 2006). The origins of the HERMIN model lie in the complex multi-sectoral HERMIN model that was developed by the European Commission.

The results of impacts of the NSRF are reported in terms of the aggregate GDP, the aggregate (cumulative) employment rate and the aggregate productivity. In the case of impacts on the aggregate GDP, a very clear distinction must be drawn between impacts of the NSRF on the rate of the aggregate growth (which are temporary) and impacts on the GDP level (which are more permanent).

With respect to the impact of the NSRF on the rate of growth of the aggregate GDP, the point most worthy of attention is that the NSRF is likely to cause a steep rise in the rate of growth already in 2007, the first year of implementation. In the "with-NSRF" growth rate is 4.7%, while the baseline scenario "without-NSRF" growth rate is 4.3%, i.e., an increment of 0.4 percentage points due to the NSRF. After the year 2007, there are further significant increases to the growth rate,

relative to the "without-NSRF" baseline. The other growth rate (relative to the baseline "without-NSRF" minus 2.2 percentage points), due to the assumed complete cessation of the NSRF funding after 31 December, 2015. After the year 2015, the "with-NSRF" and "without-NSRF" growth rates are almost identical.

Nevertheless, the identity of scenarios is based on the simplified model fact that after 2013 there will be no more financing from the EU Funds. In reality, however, it is necessary to respect and assume:

- (a) the period which arises from the application of the N+2 principle in the course of which the drawdown of resources from the previous period will still continue;
- (b) the fact that even after 2013 the EU's Structural and Cohesion Policy will continue in some form or another (for the time being its amount cannot be specified).

Consequently, in reality, the model assumption of a deep decline in the GDP growth in 2014 will be highly mitigated and minimized.

It is also possible to define the impact of the NSRF assumed the gradual rise in the level of GDP from t relative to the "without-NSRF" baseline level). The increase level until the termination of the NSRF in the year 2015, by which point the level of GDP is 4.6 per cent higher than the "without-NSRF" case. After the NSRF funding ends in December 2015, there is a downward adjustment in the level of GDP, and by the year 2020 the level of GDP is still 1.6 per cent higher than the "without-NSRF" case.

The impact of the NSRF on the labour market is usually reported as the net increase in employment levels. The initial effect is to increase total employment by about 20,000 jobs. This builds up to 180,000 jobs by the year 2015, and in 2016 there is a sharp downward adjustment in employment gain (from 180,000 to 56,000), as the NSRF funding ceases and there are direct and indirect job lay-offs. By the year 2020, i.e., five years after the termination of the NSRF, the level of total employment is higher than in the without-NSRF baseline by 29,000.

One of the most important effects of the NSRF is the impact on labour productivity levels (calculated as the aggregate GDP per capita). This is a crucial measure of how well the NSRF investment programmes might boost welfare through raising the productivity and competitiveness of the economy. The overall picture is one of a gradually increasing level of productivity, measured relative to the "without-NSRF" baseline. The very small negative adjustments in the years 2007, 2008 and 2009 are associated with the assumed build-up of building and construction activity, where productivity appears to be declining slightly over the historical data sample period (1995-2004).

These impacts assume that the size of the so-called "spillover" effects of improved infrastructure, human capital and R&D are in the mid-range of the effects reported in the international literature. In the absence of a detailed ex-ante microeconomic evaluation of the NSRF, this is a reasonable assumption to make. If such a microeconomic evaluation suggested that the individual measures in the economy, then higher values of the macro spillover parameters would be justified, and higher macro impacts would be likely.

## 11. MANAGEMENT AND COORDINATION OF THE ECONOMIC AND SOCIAL COHESION POLICY

### 11.1. Co-ordinating institutions

In line with the General Regulation the CR has defined the following fundamental institutions for the management and co-ordination of NSRF:

- National Co-ordination Authority
- Monitoring Committee – Management and Co-ordination Committee
- Paying and Certifying Authority – National Fund
- Audit Authority – Central Harmonisation Unit for Financial Control

The Czech Government approved the Ministry for Regional Development by Resolution No. 198 of 22 February 2006 as the **National Co-ordination Authority of the NSRF (NCA)**. This competence of MRD in this field also stems from the Act No. 248/2000 Coll., on Regional Development Support. A specific department within MRD has been appointed to perform the competence for National Co-ordinating Authority of the NSRF. NCA is responsible for the overall co-ordination of NSRF and is the official partner for the EC on NSRF issues. The competencies of the NCA of the NSRF are described below.

The role of the **Monitoring Committee of NSRF** is fulfilled by the Management and Co-ordination Committee (MCC), established by MRD under Act No. 248/2000 Coll., on Regional Development Support. The role of MCC for the 2007-2013 programming period was determined in detail by the Government Resolution No. 245 of 2 March 2005.

In order to implement the assistance provided under the SF and CF, the Czech Republic established a single **Paying and Certifying Authority (PCA)**, namely the National Fund Department of the MoF. The Paying and Certifying Authority works in close cooperation with the NCA.

The **Audit Authority (AA)** is set up in line with Article 59 of the General Regulation. The MoF – the department of Central Harmonisation Unit for Financial Control - has been appointed to perform the competence of AA for SF and CF by the Government Resolution No. 198 of 22 February 2006. The department is functionally independent from Managing Authorities and the PCA. The Central Harmonisation Unit for Financial Control, within the structure of the MoF, bears overall responsibility for the performance of the function of the management audits and control system of implementation of SF and CF.

### 11.2. Co-ordination mechanisms

#### *Co-ordination at CR level*

The MRD-NCA oversees the general co-ordination of all aspects of the implementation, together with the MoF-PCO and AA in the area of methodical management of financial flows and financial control and the MoLSA in the area of ESF issues.

The MCC is the mechanism at the national level in order to ensure the widest co-ordination, which includes not only authorities involved in implementation but also social and economic partners. The details of the composition, scope of competences, organisation and the role of the MCC are stated in its Statute and the rules of procedure, approved by the Government.

The NCA supports the Monitoring and Co-ordination Committee in its tasks and provides for secretarial assistance.

In line with the Statute, the MCC especially:

- discusses and recommends the financial and factual modifications of the approved Operational Programmes;
- discusses and approves the proposals and modifications of procedures and rules for the implementation of social and economic cohesion policy;
- approves and submits to the Government measures to improve the efficient implementation of the NSRF and OPs;
- discusses and approves the proposals for financial and factual modifications of the NSRF Commission's Decision.<sup>40</sup>

During the programming and implementation of the operational programmes, the NCA organises regular meetings of the Heads of Managing Authorities<sup>41</sup>, at least each quarter, in order to carry out the coordination of the programming and implementation of the operational programmes and the implementation of the corresponding policies, programming and implementation of the co-financed actions and other financial instruments. Representatives of other bodies may participate in the meetings, if need be.

As the coordination among operational programmes often concerns specific sectors like RD&I, environment, transport, urban issues, rural development, the NSRF Coordinating Authority organizes besides the regular meetings of the Monitoring Committee of the NSRF, meetings focused on the four strategic objectives of the NSRF. For this purpose the following co-ordination committees have been established under the MCC:

- Competitive Czech Economy
- Open, Flexible and Cohesive Society
- Attractive Environment
- Balanced Territorial Development.

The co-ordination among particular operational programmes is implemented by operational consultations of relevant Managing Authorities and/or Monitoring Committees when necessary. The details of this cooperation (mechanisms and procedures) are stated in relevant operational programmes. The NCA organises and supervises this co-ordination and is responsible for its efficient functioning.

#### *Co-ordination at the level of NUTS II regions*

To ensure the co-ordination and implementation of the economic and social cohesion policy, cohesion regions were set up at the level of NUTS I. Within these structures, there are Regional Councils acting as the Managing Authorities of ROPs and co-ordination elements among particular regions allied in cohesion regions.

*Co-ordination within framework of ESF and with other European policies*  
Besides MRD as the central coordinator of support from SF and CF, given the specific nature of implementation of ESF programmes, the principal co-ordination role for the assistance from ESF has been entrusted to MoLSA in conformity with Government Resolution No. 159/1998. Given the scope of activities of MoLSA, a representative of the Managing Authority of OPHRE will be the

<sup>40</sup> All approving procedures must be in compliance with the Czech legislation.

<sup>41</sup> As follow-up to current practice of organizing the CSF Advisory Committee.

member of the ESF Committee. The alternate member will be a representative of the Managing Authority of OPEC in the next functional period.

The complementarity of interventions in the economic and social cohesion policy and activities within the EU Common Agricultural Policy financed via the EAFRD and EFF is ensured by cooperation between the Managing Authorities of the Rural Development Programme and the European Fisheries Fund with the NCA.

*Coordination of OP with contribution of EIB and other financial instruments*  
The use of instruments of the European Investment Bank like JEREMIE, JASPERS and JESSICA is being prepared upon an agreement made between the relevant Managing Authorities with the MRD and the MoF. The CR is negotiating the possible use of EIB loans of for ensuring national co-financing.

Other financial tools of the Community were taken into consideration during the preparation of operational programmes, e.g. the following tools: LIFE+ or Community programmes for competitiveness and innovation or the 7<sup>th</sup> Framework Programme for Research and Development.

### 11.3. The tasks of the institutions

#### *Role of NCA*

The NCA as a central coordinator establishes a uniform framework for the implementation of OPs by managing authorities. It guides the managing authorities with the purpose of ensuring efficiency and legality in the management of the operational programmes. The NSRF coordinating authority has the following competencies:

- issues instructions and guidelines with respect to the management, evaluation, data collection and its electronic exchange, the establishment, activities of monitoring committees, controls and supervises every activity that falls within the tasks of the managing authorities of the operational programmes;
- monitors the implementation of the NSRF and the operational programmes and proposes systemic measures in cases of slow implementation of assistance, objective barriers hindering implementation or upon violation of regulatory obligations;
- provides for the compatibility of the NSRF and OPs' implementation with national policies and the policies and priorities of the EU and for the compliance of the interventions with national and community law, in particular with respect to competition provisions, public contracts, protection of the environment, eliminating disparities, promoting equal opportunities and the principle of non-discrimination and proposes appropriate measures with respect to their effective implementation;
- ensures the establishment of the framework of functioning of the Monitoring Committee of the NSRF;
- formulates, in cooperation with the PCA, the rules of eligibility of expenditure;
- coordinates and prepares the reports to be submitted to the EC;
- ensures preparation of other reports, including NRP referring to the Lisbon strategy co-financed from SF and CF;
- submits strategic reports on progress according to Article 29 of the General Regulation;
- ensures the establishment of basic selection criteria for project selection for meeting the four strategic NSRF objectives;

- sets up and ensures the functioning of an integrated monitoring information system to be used by the Managing Authorities in all OPs, the Paying and Certifying Authority and the Audit Authority and ensures the electronic exchange of documents and data;
- fulfils the tasks related to the publicity at the national level of economic and social cohesion policy realisation, ensures planning, realisation and co-ordination of actions in support of general awareness and co-ordinates the activities of the managing authorities in this area;
- creates a communication strategy on the national level to ensure transparency and full awareness of the aid provided from the SF and the CF, taking into account the Lisbon objectives;
- ensures the activities of the working group for evaluation, NCA and managing authorities representative being the members;
- guarantees the flow of information from/to the ECT or from the MA;
- sets conditions for assessment of the efficiency of control mechanisms;
- supervises the compliance with the state aid rules (and regional aid), as laid down in applicable European and national acts;
- prepares the methodology for the setting of indicators and monitoring of their fulfilment;
- monitors the observance of commitments on additionality and provides the Commission with the required information for its verification, as provided for in article 15 of the Regulation;
- participates in the annual meetings of the managing authorities of the operational programmes and the Commission as provided for in article 68 of the Regulation;
- ensures that the priorities of paragraph 3 of article 9 of the General Regulation 1083/2006 will be reflected in the implementation of the NSRF operational programmes and monitors the progress of their implementation.

### *Role of the PCA*

In order to implement the assistance provided under the SFs and the CF, the PCA carrying out the tasks according to Article 61 of the General Regulation ensures the following activities:

- manages and coordinates financial flows from EU budget and ensures the smooth flow of financial funds from the PCA to beneficiaries;
- sets and updates methodical instructions for the certification of SF and CF expenditure;
- ensures that beneficiaries receive EU contributions without undue delay;
- processes and submits certified statements of expenditure and applications for payment (interim and final) to the EC, for all programmes on the basis of statements of expenditures submitted by the managing authorities;
- verifies the accuracy of statement of expenditure, that it results from a reliable accounting system and is based on verifiable supporting documents, certifies this statement and approves the applications for payments from the EU;
- monitors procedure manuals used by the bodies involved in the implementation of SF and CF and verifies the compliance with these procedures;
- continuously monitors and verifies the compliance of activities and procedures of the managing authorities and intermediate bodies with applicable Czech and EU acts;
- verifies the application of the management processes and control systems used by the managing authorities and intermediate bodies (including the on the spot checks);
- evaluates drawing performance of allocations;
- receives payments from EU budget and ensures transfers of funds to the budget chapters;
- provides methodical guidance to the preparation of forecasts of applications for payment from the EU budget and submits these forecasts to the EC;

- provides for the concept, methodology, establishment, development and operation of the accounting system used for the administration of SF and CF;
- provides methodical management in the field of accounting for SF and CF funds;
- cooperates with the EC in the mid-term and ex-post verification of the additionality;
- ensures the recoveries of amounts unduly paid in the case the principles of operation terms are violated

### *Role of the AA*

In accordance with article 62 of General Regulation , the AA shall primarily perform the following activities:

- provides the audit of readiness of programme management and control systems, on the basis of which it submits a report assessing the compliance of the OP management and control systems to the EC;
- submits to the Commission, prior to the submission of the first interim application for payment and 12 months at the latest after the approval of the programme, a report assessing the configuration of programme management and control systems, including an opinion on their compliance with applicable provisions of EC legislation, as laid out by article 71 of General Regulation;
- submits an audit strategy including the bodies that will carry out the audit, to the EC within nine months after the approval of the respective OP and regularly updates this strategy;
- ensures the execution of audits in public administration in order to verify the efficiency of programme management and control systems functions and verifies the expenditure declared on the sample basis;
- annually submits the consolidated audit plan for funds provided from SF and CF to the EC, which it regularly evaluates;
- ensures the submission of all results of audits carried out by the AA or based on its instructions to the PCA for certification purposes;
- provides systemic guidance to other audit entities participating in public administration audits in all OPs;
- supervises the quality of audits in public administration carried out by other audit entities in projects co-financed from SF and CF;
- participates in the drafting and updating of systemic guidelines for performing audits of individual programmes;
- annually submits the annual control report to the EC;
- issues a statement for the EC on an annual basis, on whether or not the functioning of the management and control systems provides sufficient assurance that expenditure declared to the EC are correct and that the underlying transactions are legal and regular;
- participates in audit missions of the EC aimed at the verification of aspects of the management and control systems resulting from the annual control report;
- submits the closure declaration (or partial closure declaration) to the EC, in which it shall assess the validity of the final payment application and whether the underlying transactions included in the final statement of expenditure had been done in a legal and regular way;
- co-operates with the EC on the co-ordination of audit plans and methods, and exchanges results of performed audits with the EC;
- ensures that internationally recognised audit standards are complied with during the execution of audits;
- provides the analysis of reported irregularities for the purpose of processing the closure declaration or partial closure declaration;

- prepares the annual report on the results of OP's financial control for the Czech Government.

#### 11.4. Monitoring and data exchange

##### Uniform Central Information System

The setting of a mandatory data scope and binding procedures are the fundamental instruments to secure uniform character of the monitoring system. Comparability, factual correctness and the most recent data provided in support of management, monitoring and compliance with binding regulations is ensured by the **mandatory Methodology of Monitoring** of SF and CF 2007–2013. The Monitoring Methodology defines the centrally binding scope of data, obligatory procedures and terms for monitoring the operational programmes and projects at all levels of implementation. Together with specification of uniform and binding procedures governing transfer of data the above provide for a **fully integrated, uniform monitoring system** applicable to all implementation levels, capable of collecting data necessary for management, monitoring and evaluation of programmes and projects including periodic data acquisition from the beneficiaries to monitor the progress of project implementation via the web account of the beneficiary.

The data communication between the accounting system PCO IS VIOLA as a basic supporting instrument for the function of the PCO, and MSC2007 as the central monitoring instrument of EU funds is ensured.

Summary requests are transferred from IS MSC2007 to IS VIOLA. Summary statements are transferred back from IS VIOLA to MSC2007.

##### Data acquisition and electronic interchange

The MRD creates, primarily for monitoring the financial assistance, an information system that constitutes one of prerequisites for accepting assistance from the SF and from the CF. In conformity with the Government Resolution No. 198/2006 the MRD provides a uniform central information system in support of management, monitoring and evaluation at all levels of programmes and projects financed from the SF and CF. The system is binding on all implementing subjects in the programming period 2007-2013.

The MRD manages the setting of an information system in the area of management, data collection, monitoring and communication with the EC. It has provided with the readiness of the central monitoring system, which is **an important instrument for managing the implementation of all OPs well.**

The MAs are obliged to enter data in the required scope, structure and in the defined deadlines from the beneficiary level on the basis of procedures as defined in the operational manuals.

##### Electronic data interchange

The CR has selected a variant whereby data will be transferred to the EC system SFC2007 via a technical interface and Internet.

The electronic data interchange comprises transfer of data from the Czech database MSC2007 to the EC database SFC2007. It comprises preparation in, and subsequent transfer of the necessary data from the Czech database MSC2007. A special module has been created in the Czech database MSC2007 for data authorisation by MA responsible for management and co-ordination of programmes utilising the EU funds.

The module will provide for creation and export of validated data from the managing authorities, the PCA via the Internet to the SFC2007 database of the European Commission. The module satisfies the requirements imposed by the European Commission on Government.

### *Parameters of the information system*

The system will represent the primary tool in communication with the MoF and the EC used in connection with comprehensive administration of programmes and projects. The information system for monitoring assistance in the 2007-2013 period must secure integrity of data inside the system and provide comparable, materially correct and topical data needed for management, monitoring and evaluation at the central level.

The system has been conceived as a three-level ensemble of mutually interconnected information systems – central level, operating level, and the beneficiary web account.

### *Preparation and security of the information system*

For the monitoring, of the programming period 2007-2013 the integrated information system guarantees since 1 January 2007 the full functionality of monitoring at all implementation levels (central, operating, applicant/beneficiary). The system provides full support to management, monitoring, evaluation and administration of programmes and projects. It respects the requirements imposed by the European Commission and provides for the required function of data acquisition and transfer to the EC and to the PCA.

### *Approach to monitoring and evaluation of horizontal themes*

#### **a) Equal Opportunities**

Monitoring of the horizontal theme of equal opportunities is an integral part of the central monitoring system, which takes equal opportunities into account in terms of gender (by age and by type of social disadvantages) divided indicators, outputs, results and impacts from a strategic level of the NSRF to monitoring relevant priorities of single operational programmes. For monitoring and evaluating equal opportunities supported by funds, emphasis is placed on relevant interventions, co-financed from the ESF, which directly influence equal opportunities of target groups. They have been designed to provide quality contribution to a successful implementation of relevant national policies and further policies co-ordinated at an European level (in the CR described in greater detail in the National Report on Social Protection and Social Integration strategies for period 2006-2008 and in the NRP for the period 2005-2008). At a central level, monitoring and evaluation the efficiency of implementation measures of funds in terms of set targets and of influence on equal opportunities of target groups is ensured by the MRD – department responsible for national coordination in cooperation with MA of OPs. The cooperation take place within the Working group for evaluation impact of implementation measures, financed from ESF and equal opportunities of socially disadvantaged groups, data from the monitoring system of above mentioned national reports on social protection and social integration strategies can be utilised.

#### **b) Sustainable development**

Monitoring environmental impacts will be part of IS monitoring, by set of indicators, designed by the author of SEANSRF. Expert evaluation of impacts will be executed under the supervision of working group, in which representatives of all managing authorities will participate and which will coordinate and methodologically control the process of impact monitoring.

### **11.5. Administrative capacity 2007-2013**

Inadequate absorption capacity creates an important risk for the implementation of the resources of the 2007-2013 programming period. Inseparable part of absorption capacity is its sufficient administrative capacity. The need of it increase is supported among others by these factors:

- Parallel implementation of 2 programming periods;

- Increase in amount of funds allocated;
- Increase in the number of operational programmes;
- Emphasis of the new legislation on the control arrangements, monitoring and evaluation.

Insufficient administrative capacity can seriously jeopardise implementation of SF and CF. **That's why it is necessary to pay permanent and systemic attention to the reinforcement of the administrative capacity.** The MRD is responsible for systemic and permanent support to the institutional framework and to absorption capacity. The MRD encourages development of institutional and administrative capacities, knowledge and skills. For this purpose the document "Framework parameters of the implementation structure of an operational programme model" that was worked out with the help of technical assistance. The basis of the system is:

- Analysis of the MA's needs for operational programme implementation;
- Definition of functions and procedures;
- Formulation of employees' profiles, job description ;
- Quality of the selection and recruitment of new employees;

Quality output of all functions within the implementation system of EU resources is closely related to the profile and stabilization of employees, who participate on preparation and functioning of this system. Employees of public administration have to be systematically prepared several years for correct and quality execution of these activities, including learning of languages. Quality of the selection and recruitment of new employees that takes into account the best practice is an essential condition for quality human resources management. This system will be used at all implementation levels. The main objective of the improvement of the human resources management is to minimize the undesirable outflow of these well-educated and skilled employees into the private sector. This can be achieved primarily through the setting of such conditions that create the work in public administration competitive to the private sector.

For this purpose, Czech authorities prepare complex system of stabilization and motivation of public administration employees working within the implementation system of EU budget resources.

In the framework of this system, following measures are planned:

- Use of financial as well as non-financial motivation;
- Education of employees, technical equipment, training of management in human resources management and in relevant vocational issues;
- Reassessment of the systemization, especially of salary grades within particular institutions and appropriate categorisation in work catalogue,
- Increase in personal bonuses connected to participation in and preparation on execution of functions in management and control of EU resources ,
- Extraremuneration paid in connection with management of EU funds,
- Other labour-law measures.

Other very important issue is support of absorption capacity of the beneficiaries and helpful approach of relevant authorities to the beneficiaries.

The thematic area of intervention Support of Absorption Capacity in Operational Programme Technical Assistance will create important tool for the MRD in reinforcement of administration capacity for implementation of NSRF. It will cover needs for coordination and support of strategic and methodical management of development of the absorption capacity. On the basis of results of analyses, the measures for its increasing will be introduced. From the position of central coordinator, support of absorption capacity will be provided at sectional interventions, including interconnection of ROPs with thematic operational programmes.

Support of human resources development and administrative capacity reinforcement is closely related to the Smart Administration priority within the strategic objective “Open, Flexible and Cohesive Society”.

### 11.6. Management of operational programmes

The implementation system of particular operational programmes, including the determination of intermediate bodies and specification of functions that shall be delegated to them by the managing authorities is described in detail in the operational programmes and in the description of management and control systems, following Art. 71 of the General Regulation.

#### *Designation of the managing authorities*

By Government resolution no. 175/2006, the departments of ministries were designated as Managing Authorities of operational programmes for the 2007-2013 programming period.

The managing authorities in charge of the preparation of the operational programmes are as follows:

**MRD, MIT, MoLSA, MoEYS, MoE, MT, the Capital City of Prague and Regional Councils of NUTS III level cohesion regions.**

#### *Management of OP*

The NCA provides uniform guidance framework for horizontal issues of implementation to the managing authorities of the operational programmes. The managing authority of the operational programme is responsible for the management and implementation of the operational programme in accordance with the principle of a sound financial management and in accordance with rules for the implementation of operational programmes established by the NCA.

The managing authority is responsible for implementation of Art. 60 of the General Regulation and for the set-up of the systems in the following areas:

#### *Management and control*

- sets up the management and control systems in accordance with applicable legislation of the CR and EU and is responsible for effective and correct functioning of these systems;
- prevents and detects irregularities and proposes corrections of funding in the case of identified breach of duties arising under applicable law;
- verifies that the co-financed products and services are delivered and that the expenditure declared by the beneficiaries for operations has actually been incurred and complies with Community and national regulations;
- ensures compliance of the supported actions with the Community policies;
- ensures compliance with the information and publicity requirements defined in Article 69 of the General Regulation;
- ensures sustainability of operations for five years<sup>42</sup> by the managing authorities of the OPs and informs the EC of any substantial modification of these operations;
- sets up procedures to ensure that all documents regarding expenditure and audits required to ensure an adequate audit trail are held in accordance with the requirements of Article 90 of the General Regulation.

#### *Implementation*

- processes project selection and evaluation criteria and submits them to the monitoring committee for approval;

<sup>42</sup>Three years in the case of investments or jobs created by SMEs.

- ensures that operations are selected for funding in accordance with the criteria approved of by the monitoring committee, applicable to the operational programme and that they comply with applicable Community and national legislation over the course of their implementation period;
- provides the Commission with information to allow the evaluation of major projects.

#### *Financial flows*

- ensures that beneficiaries and other bodies involved in the implementation of operations maintain either a separate accounting system or an adequate accounting code for all transactions relating to the operation without affecting national accounting regulations;

#### *Monitoring*

- establishes monitoring committees in line with Articles 63-66 of the General Regulation;
- collects reliable financial and statistical data allowing the provision of the assistance to be monitored and transfers this data (usually in an electronic form) to the NCA, or to the EC;
- ensures that there is a system for recording and storing accounting records for each operation under the operational programme in computerised form and that the data on implementation necessary for financial management, monitoring, verifications, audits and evaluation are collected;
- processes annual and final reports on the provision of aid and submits them to the EC once they have been approved by the MC;
- manages the work of the monitoring committee and provides it with the documents required to enable the quality of the implementation of the operational programme to be monitored with regard to its specific goals.

#### *Evaluation*

- ensures the evaluation of operational programmes is executed in compliance with EU legislation (Articles 47 and 48 of the General Regulation).

#### *Certification*

- submits all necessary information on the procedures and verifications carried out in relation to expenditure to the PCA, for the purpose of certification.

#### *Performance of audits*

- is responsible for the provision of conditions for the performance of audits at all levels of implementation.

#### *Delegation of activities*

It is within the competencies of each managing authority to determine the extent to which it shall entrust an intermediary body and the tasks that can be performed by such a body. These tasks and functions shall be defined in a written agreement between the managing authority and the intermediary body. The managing authority of the operational programme shall consult the delegation of some of its functions to an intermediary body with the NCA.

## 12. SYSTEM OF FINANCIAL FLOWS OF STRUCTURAL FUNDS AND THE COHESION FUND

Since the date of the CR's entry to the EU on 1 May 2004, the system of financial flows of SF and CF was set so that SF and CF resources were refunded to beneficiaries retroactively by the Paying Authority through Paying Units. The system of SF and CF has been changed, on the basis of project implementation experience and the course of utilisation of SF and CF resources within the programming period 2004–2006 and with the aim of speeding up the flow of SF and CF resources to the beneficiary as the key element of implementation of projects co-financed from the SF and CF. For the new programming period, the Government of the CR approved the Methodology of financial flows and the control of programmes co-financed by the Structural Funds, the Cohesion Fund and the European Fisheries Fund for the programming period 2007–2013. All resources of SF and CF are integrated into the state budget. Beneficiaries receive SF and CF resources from the state budget in advance. The PCA subsequently transfers the SF and CF resources to the state budget. Through this system a single flow of national and Community funds to beneficiaries is ensured and is accelerated.

### National co-financing

The CR has decided that it would relate the level of co-financing to public expenditure only (under Article 63(1b) of the General Regulation). Consequently, private funding will be presented in tables only indicatively and just for information.

Public budgets of the CR will therefore have to expend at least EUR 4.7 billion in the period 2007–2015, in order to utilise the maximum allocation that will be available for the 2007–2013 programming period.

The MoF analyses the capability of public budget to secure sufficient resources for co-financing of the SF and CF on a regular basis. Based on such an analysis, the Government of the CR decided on 14 December 2005 (Government Resolution No. 1618) that co-financing should be given top priority in budget preparation.

The analysis was updated in autumn 2006, when precise allocations for the CR for individual years were already known, and also a more detailed division on for OPs and their priority axes. Despite the fact that the current analysis assumes that it will be necessary to spend considerably lower amounts of funding from public budgets than previously (in particular achieving the lower mandatory level of co-financing from national resources) it has come to the same conclusions:

- necessity to intensify the reform of public finance and change the trend of rising mandatory expenditure,
- shift priorities within economic and social cohesion expenditure to areas co-financed from the SF and CF which will contribute to the promotion of coordinated planning of European and national programmes and national programmes will support only those areas that cannot be co-financed from European resources.

The updated analysis was approved by the Government on 30 November 2006 (Resolution 1348/2006).

### 13. ADDITIONALITY FOR CONVERGENCE OBJECTIVE IN THE PERIOD OF 2007-2013

Pursuant to Art. 27 and in accordance with Art. 15 of the General Regulation, the CR processed ex-ante verification of additionality – the base level of public expenditure related to economic and social cohesion to be complied with in the financial period of 2007-2013. The starting point for setting the limit was real expenditure from public budgets in the given area in 2004 and 2005 based on which the average for both years was determined. Verification of additionality is carried out for NUTS II regions belonging to the Convergence objective; i.e. for the entire CR with the exception of NUTS II Prague cohesion region.

Expenditure included in the additionality limit can be defined as public budget expenditure (state budget, municipal budgets, budgets of regional councils and regions, and selected state funds) going to areas focusing on or related to intervention areas as of the SF and the CF. Their determination is identical in principle with the determination included in the additionality calculation for the period of 2004-2006, with the exception of support to agricultural and rural development to which interventions under the Structural Funds for 2007-2013 will not apply. On the other hand, expenditure for housing support is newly included.

The level of additionality for 2007-2013 is determined at **EUR 2,548.9 million** (in 2006 prices) and equals the average volume of expenditure in the area of economic and social cohesion in 2004 and 2005.

Determination of the ex-ante level of additionality for 2007-2013 at the same level as the average of 2004 and 2005 respects provisions of Art. 15(3) of the General Regulation and represents a significant growth when compared to the additionality level for the 2004-2006 period.

In comparison with the additionality limit for 2004-2006, there has been growth in relevant expenditure and therefore also the limit for ex-ante evaluation of additionality for 2007-2013 increased by more than 62%.

Such a significant volume of expenditure in 2004 and 2005 is due to several factors. The main reason for such development was major growth of expenditure in transport infrastructure. The Fund launched its activities in 2000 and its expenditure grew continually and significantly. The large amounts of financing could be expended by the Fund in particular thanks to extraordinary income from the revenues of state property privatisation. Such expenditure must be perceived as extraordinary in the sense of the requirements<sup>43</sup>, arising from a specific situation in the CR. Moreover, in 2004 and 2005, which form the basis for the ex-ante evaluation, the use of sources from the privatized property culminated.

Another reason for such a distinct increase is involvement of regional budgets since 2001, which apart from partially assuming financial competences from the state budget, also finance activities in the area of economic and social cohesion. The increased additionality limit was also affected by the inclusion of expenditure for housing development exceeding the financing included in the previous period in the area of agriculture and rural development.

#### *Data Sources and Method of Calculation*

The input information for determining the scope of additionality were data from databases of the Ministry of Finance on financial statements concerning expenditure of the state budget, local budgets and the State Environmental Fund, the State Fund of Transport Infrastructure and the State

<sup>43</sup>Relates to the revenues from privatised state property, as required by the MoF.

Fund for Housing Development for 2004 and 2005 ( *Automated budgeting information system* ). The calculation included only expenditures classified as those belonging to economic and social cohesion. Similarly to the previous financing period, having excluded expenditure generated by the Prague cohesion region due to its non-eligibility within the Convergence objective, part of excluded expenditure had to be included again, as it were in fact consumed in other regions of the CR. Thus, the issue of the Capital City of Prague as a seat of central public administration bodies which re-allocate but do not consume funds was resolved. Therefore, the calculation also had to use other information sources. Specifically, in the case of capital expenditure, the register for funding of asset replacement, ISPROFIN, was used. For current expenditure, the information system for subsidies, CEDR, was applied. In order to improve the quality of deductions for the Prague region from the whole CR, estimates were used in certain cases. The same method was used to set the limit for ex-ante verification of the additionality for the period of 2004-2006.

To recalculate expenditure from public budgets of the CR of 2004 and 2005 into 2006 prices, GDP deflators were used (see the Macro-economic Prediction of the Ministry of Finance of October 2006). The mean exchange rate of the CNB for 2005 ( 29.784 CZK/EUR ) was used for conversion to EUR. Data for 2007-2013 are recalculated in EUR . The conversion to 2006 prices used an annual deflator in the amount of 2% in line with Art. 16 of the Interinstitutional Agreement <sup>44</sup>.

To determine financing of programmes and projects under the SF within the NSRF in 2007-2013, a total amount of EUR 17,064.5 million (that is EUR 15,721.6 million in 2006 prices) is used as a basis, which the CR is to receive for funding within the Convergence objective. To assess the average annual drawing of funds in 2007-2013, the model of the Ministry of Finance for the distribution of utilisation and related co-financing were used. The expenditure for co-financing also includes estimated co-financing of the CF.

The process, economic conditions and a detailed methodology of the ex-ante verification of additionality for the programming period 2007-2013 are presented in the Additionality Report of 27 April 2007 prepared by the Ministry of Finance.

<sup>44</sup> Interinstitutional Agreement between the European Parliament, the Council and the Commission on budgetary discipline and sound financial management of 17 May 2006 (2006/C139/01).

Table 29 Additionality verification of 2007–2013 period: Financing of structural expenses in the Convergence regions from public sources (in mil. EUR, 2006 prices)

mil. EUR 2006 prices	Annual average 2007-13 NSRF (ex-ante)						Annual average 2004-2005 NSRF (actual)					
	Total	Of which: public companies	NSRF		Not cofinanced by EU	Total	Total	Of which: public companies	NSRF		Not cofinanced by EU	Total
	National+EU	National+ EU	EU	National	National	National	National+EU	National+ EU	EU	National	National	National
1	2	3	4	5	6	7=5+6 =2-4	8	9	10	11	12	13=11+12=8 -10
<b>1. Basic infrastructure</b>	<b>2259803748</b>		<b>588438563</b>	<b>287 180475</b>	<b>1384184710</b>	<b>1671365185</b>	<b>1675092282</b>		<b>3727 097</b>	<b>38892683</b>	<b>1632472502</b>	<b>1671365185</b>
-Transport	1570520082		322634206	150113824	1097 772052	1247885876	1276588306		402762	25312993	1250872551	1276185544
-Telecommunications & information society	111047546		92716579	18330967		18330967	462169		71 746	63097	327326	390423
-Energy	28873863		12600844	6273019		16273019	59 34942		21047	7016	5906879	5913895
-Environment & water	502937462		124150308	940027	24 284784430	378787154	382018696		3231542	13509 577	365277577	378787154
-Health	46424795		36336626	8459941	1628228	1008 8169	10088169				10088169	10088169
<b>2. Human resources</b>	<b>867121044</b>		<b>642726328</b>	<b>128444468</b>	<b>95950248</b>	<b>224394716</b>	<b>235758321</b>		<b>11363606</b>	<b>3745826</b>	<b>220648889</b>	<b>224394715</b>
-Education	345503877		207214144	42339485	959502 48	138289733	206416364		4591178	1527821	2002973 65	201825186
-Training	269867207		225319380	44547827		445478 27	18288747		6772428	2218005	9298314	11516319
-RTD	251749960		210192804	41557156		41557156 11	053210				11053210	11053210
<b>3. Productive environment</b>	<b>986861339</b>		<b>438522735</b>	<b>845 10199</b>	<b>463828405</b>	<b>548338604</b>	<b>564650229</b>		<b>16311623</b>	<b>5 497124</b>	<b>542841482</b>	<b>548338606</b>
-Industry	652670239		222245482	43940087	3864846 70	430424757	453601239		5448238	5149385	433003 616	438153001
-Services	201411032		105415607	18651690	7734373 5	95995425	96011385		15959	5037	95990389	9599542 6
-Tourism	132780068		110861646	21918422		21918422	15037605		847426	342702	13847477	14190179
<b>4. Others</b>	<b>202709600</b>		<b>97863041</b>	<b>23785375</b>	<b>81061184</b>	<b>1 04846559</b>	<b>105091235</b>		<b>244677</b>	<b>111500</b>	<b>104735058</b>	<b>1048 46558</b>
<b>Total</b>	<b>4316495731</b>		<b>1767550667</b>	<b>523920517</b>	<b>2025024 547</b>	<b>2548945064</b>	<b>2580592067</b>		<b>31647003</b>	<b>48247133</b>	<b>2 500697931</b>	<b>2548945064</b>

Source: MoF



## 14.EX-ANTE EVALUATION OF NSRF

NSRF constitutes a logically structured document that links all significant problematic spheres from the viewpoint of linking to other documents, especially CSG, Strateg

at is balanced as to methodology and includes int of the CR as well as from the viewpoint of yo economic growth and NRP.

### 14.1. The course of processing of NSRF and its ex-ante evaluation

Preparation of the process of ex-ante evaluation of preparation of the programme document in the first Berman Group – economic development services Ltd., The ex-ante evaluation itself was started by signing of a contract with the processor on 10 August 2005, nevertheless views and documents of the ex-ante evaluator were provided already from June 2005.

### nteevaluation

NSRF was started simultaneously with quarter of 2005. The team of the company was chosen as a processor in an open tender. g of a contract with the processor on 10 August teevaluator were provided already from June

The evaluation was organised as a process that runs that ex-ante evaluators responded continuously to p with the processor of the NSRF and the initiator of group of the MCC and in meetings of the MCC itself with continuous consulting and "light technical assistance" Department of the MRD, now the Department for European evaluation reports and recommendations the evaluator partial analyses, reports and working documents) that a guide for elaboration of the NSRF.

parallel to the elaboration of NSRF. That means partial outputs of NSRF, consulted the outputs the NSRF, participated in the work of working and provided processor and initiator of NSRF assistance" (the initiator was from the CSF Department of the MRD). Therefore besides r also processed data (mainly in the form of at were to be used by processor of the NSRF as

Ex-ante evaluation focused on several basic aspects :

- most efforts were given to methodical and conceptual problems,
- evaluator focused on content problems of parts of NSRF
- furthermore the evaluation looked into formal technical requirements for NSRF

The evaluators are of the opinion that at the moment the following main problems related to NSRF prevail:

- regional dimension of interventions of thematic operational programmes, which is required and presumed in the NSRF is not appropriately taken into consideration in thematic operational programmes;
- mechanism for co-ordination of interventions from various OP and securing synergy among various interventions of OP is not clear, which is related to the fact that NSRF does not respond to unprepared (or insufficiently prepared) implementation systems of OP.

Evaluators point out that besides shortcomings that arise from the text of NSRF or the text of OP there are many partial shortcomings or unprepared conditions that might not be directly reflected in the text of programme documents but are very serious for future implementation of programmes. These are, e.g. (regardless of the order of importance) :

- insufficiently prepared co-ordination structures and mechanisms that are to secure synergy of SF interventions with home programmes.
- Unsuitable choice of tools for implementation of interventions at the level of "implementation documents" – too large a number of prepared grant schemes that can significantly lower absorption capacity.
- insufficiency or unpreparedness of implementation mechanisms ("delivery chains") especially in the case of ESF programmes, OP for Research, Development and Innovation, IOP, uncertain

situation in Regional operational programmes, which is due to the fact that they are either not developed or they presume continuation of continuation structures and implementation procedures that are not satisfactory already now.

The initiator of the evaluation will deal with these problematic issues especially when setting implementation co-ordination mechanisms that are discussed in more detailed programme documents of OP (implementation documents and operating manuals). A certain handicap, which the initiator is aware of, is prevailing department-oriented approach to realisation of the policy of intervention economic and social cohesion – this problem requires a solution in the long run within the framework of the state administration of the CR. The focus of the regional approach to the implementation of TOP therefore will consist in larger participation of regions and towns in co-ordination of interventions and in the support of absorption capacity for thematic interventions, and that especially in the work of regional assistance centres financed from OPTP (see also 14.6) and in preparation and implementation of Integrated Urban Development Plans.

#### **14.2. Evaluation of the consultation process during elaboration of the National Developmental Plan and NSRF**

From the viewpoint of ex-ante evaluation MCC and its working groups are satisfactory representatives of various interests of stakeholders involved in the policy of economic and social cohesion. During discussions over the NDP/NSRF these bodies fulfilled their consultation role very well. Due to these bodies all important participants took part in all significant decision-making processes. The process of consulting, discussing and making comment on the NDP/NSRF and OP was extensive enough and intensive during the whole time of document elaboration. Incorporation of relevant social partners can be considered to be sufficient.

Consultations contributed to clarification of the content of the interventions of NSRF and of their incorporation into priorities and appropriate OP and thus helped to fulfil one of the important objectives of the ex-ante evaluation (and solving of problems in elaboration of NSRF and OP).

On the other hand consultations can be marked as contra-productive when attempting at better focusing of programmed documents and concretising in individual spheres of interventions. Despite all the efforts the consulting process led rather towards continuation of wide-ranging and insufficiently specific definition of the content of programmed documents and their activities/operations.

The consulting process during elaboration of NSRF did not help to find synergies and necessary functional interconnecting between OP and these are therefore still insufficiently defined. Proposing mechanisms for common and purposefully co-ordinated implementation of interventions, where mutual interconnectedness is indispensable or highly desirable, was even less successful.

Shortcomings and problems that appeared in the course of consultations with partners refer to more general existing problems that are to appear to a far more significant extent when programmes are implemented and can make some types of interventions rather complicated or they can have a significant impact on accomplishing of desired results of interventions.

#### **14.3. Evaluation of the socio-economic analysis and regional development analysis.**

The chapter socio-economic analysis underwent the most extensive reworking within the transformation of NDP into NSRF. The preceding recommendations of ex-ante evaluators were taken into due consideration, nonetheless still some shortcomings prevail even in the fifth evaluated version of NSRF. The main shortcoming of the chapter SE analysis and the chapter regional

development is inconsistent presentation of main problems of the CR lacking in mutual causal interconnections. The ex-ante evaluator recommends amending both chapters so that:

- relation to the topics of the Lisbon strategy is emphasized,
- identified problems are presented with mutual relations,
- identified problems are distinguished as to their significance,
- causes of these problems are sufficiently clarified,
- the description of individual topics is synthetic and uses the same unequivocal structure.

The chapters socio-economic analysis in the last version of NSRF (October, 2006) was changed only in minor points especially as far as formulations are concerned. Main recommendations of ex-ante evaluators to the May version of this chapter of NSRF (see above) have not been fulfilled and sufficiently taken into account. Even though the current version of the socio-economic analysis presents a certain solution for the strategic part of NSRF, the absence of distinguishing significance of identified problems must be pointed out. Also adequate identification and clarification of causes of these problems is missing. In many places the socio-economic analysis only doubles the function of the SWOT analysis.

blems of the CR lacking in mutual causal amending both chapters so that: phasized, ions, ignificance, , nd uses the same unequivocal structure. sion of NSRF (October, 2006) was changed only re concerned. Main recommendations of ex-ante RF (see above) have not been fulfilled and rrent version of the socio-economic analysis of NSRF, the absence of distinguishing significance equate identification and clarification of causes io-economic analysis only doubles the function

Ex-ante evaluation of NSRF of June 2006 contained, besides recommendations stated before, also 4 and a half pages of perfectly concrete comments, recommendations or proposals to individual paragraphs of the text of the socio-economic analysis and regional development analysis. These recommendations were not taken into account. The NSRF does not contain in appendixes a table comparing competitive factors of the CR to other countries, which was recommended by the ex-ante evaluator.

besides recommendations stated before, also 4 commendations or proposals to individual is and regional development analysis. These RF does not contain in appendixes a table untries, which was recommended by the

Division of tables and graphs into appendixes could be accepted, annotations are almost always correct and sufficient, tables and graphs relate to the analysed and described facts.

be accepted, annotations are almost always the analysed and described facts.

The description of the current situation covers all significant required facts and problems that arise from analyses executed by the ex-ante evaluator for the purposes of the evaluation of NSRF (see the working document Analytical points of departure for the evaluation of NSRF) and also for outputs to be used for elaboration of National Developmental I Plan in 2005. Nonetheless individual parts of analytical chapters are very unbalanced. Taking the given objections into consideration it can be stated that the texts of analytical chapters can provide a sufficient starting point for formulation of other parts of NSRF.

significant required facts and problems that arise the purposes of the evaluation of NSRF (see the the evaluation of NSRF) and also for outputs I Plan in 2005. Nonetheless individual parts of given objections into consideration it can be ovide a sufficient starting point for formulation o f

The initiator and partners involved in preparation of NDP/NSRF found the analytical part of the NSRF after long discussion an acceptable basis in discussion and since it is necessary to keep the text of the NSRF within certain limits and focus especially on its quality the strategic part has been found satisfactory and it is not necessary to get back to it for further modifications.

of NDP/NSRF found the analytical part of the nison and since it is necessary to keep the text lly on its quality the strategic part has been ackto it for further modifications.

#### 14.4. Evaluation of the SWOT analysis

The SWOT analysis is acceptable due to the complicated and complex nature of the NSRF issue and it is an applicable starting point for the follow-up strategy of NSRF. SWOT in this form is a combination of proposals of the managing authority and alternative views of evaluators. For the final version of the NSRF the evaluators recommended shortening of the SWOT analysis and arrangement of statements of the SWOT in the order reflecting their importance, which was executed.

ted and complex nature of the NSRF issue ow-up strategy of NSRF. SWOT in this form is a and alternative views of evaluators. mended shortening of the SWOT analysis der reflecting their importance, which was

The evaluators recommended modifying the SWOT in such a way that the internal analysis (SW) deals with issues that can be directly influenced by

ch a way that the internal analysis (SW) y SF interventions and the external analysis (OT)

focuses on issues outside the cohesion policy frame account. Many comments from the external analysis (influenced by SF interventions and usually run as follows therefore this is an opportunity", "if we don't do something/ we don't support" and that is a threat. The evaluators consider this approach to the external analysis as methodical misunderstanding of the meaning and purpose of the analysis. Nonetheless this shortcoming has no negative impact on the strategy of NSRF.

**14.5. Evaluation of the Implementation of Existing SF Programmes**

The evaluators in the previous evaluation strongly recommended elaborating the chapter "Evaluation of the Implementation of Existing SF Programmes" so that it includes conclusions of existing evaluation studies, that evaluated exploitation of means of SF and explicated cause of only minor success of the CR in this sphere. This recommendation was not taken into account with the exception of addition of a paragraph concerning need for increase in administration capacity and the reform of the public administration. Such addition is not sufficient in the view of evaluators. Since the conclusions of evaluation studies up to now are rather extensive, the initiator included into this chapter a paragraph commenting conclusions of these studies for the 2007-2013 period. The given conclusions will naturally be taken into consideration in order to improve the setting of the system for acquisition of some support from the funds of the EU during the new period.

Evaluators consider the findings and conclusions of the chapter 5. NSRR "Evaluation of the impact of implementation of the development programmes of structural funds up to now" remarkably and unjustifiably optimistic, especially the data stated in the table of assumptions concerning fulfilment of specific objectives.

Nonetheless the initiator insists on inclusion of the table with the given data that are based on the summary of mid-term evaluation of implementation of the Framework of union support. Conclusions of this evaluation, which was finished in the midyear of 2006 are still considered decisive, because, among other reasons, the implementation of OP projects is not by far finished.

The evaluators consider most grave the fact that weaknesses of the implementation system and weaknesses of the external environment related to implementation of SF interventions are not attended to in the preparation for the programme period of 2007-2013. The system of programme implementation and realization of their interventions (the way of supporting partial projects, implementation mechanisms / delivery mechanism) remain practically unchanged for the future period and their principle modification is not being considered yet. This fact can significantly threaten realization of interventions in the coming period, especially if their character differs from the current interventions or if they are secured by new entities/authorities.

Being aware of mentioned risks and taking into consideration the given institutional environment in the CR the initiator is of the opinion that a new system of implementation cannot be substantially different from the system for the period 2004-2006. The main reason for that is that accomplishing a qualitatively different approach to implementation and realization support would require extensive changes in the near future in the way the public administration functions. Since such development is unlikely a sudden introduction of such changes could cause deterioration concerning functioning of implementation bodies. Therefore for realization of OP 2007-2013 improving of the current implementation and coordinating mechanisms is proposed on the basis of experience from the 2004-2006 period up to now and with the use of recommendations of ex-ante evaluation.

#### 14.6. Evaluation of the strategy and priorities of NSRF

Preceding recommendations of ex-ante evaluators from June 2006 aimed mainly at the sphere of formulation and explication of the strategy and description of priorities. These requirements have been fulfilled at the general level, the chapter on strategy underwent a significant change between May and November. Nonetheless as far as the content goes the NSRF strategy remains very similar to the strategy from May 2006, which is considered to be correct by the evaluators. Orientation and structure of the strategy and of priority axes are considered to be relevant by the evaluators in relation to the needs and problems of the CR in the sphere of economic and social cohesion.

##### *Strategic decisions and alternative strategies for National Development Plan/NSRF.*

The strategy NSRF is based on the updated NDP, which was elaborated in 2005. Strategic decisions concerning focusing of interventions, their logics and mutual interconnection were part of the NDP updating. The original orientation of the strategy was based on an assumption that partial spheres of intervention at the level of strategic objectives are significant on their own, that they are equivalent and to a certain extent exchangeable - from the viewpoint of their contribution to the global objective. Thus saying that e.g. increased competitiveness of the CR can be achieved by investments into transport and life standard or by interventions in the sphere of increasing competitiveness of industry. At the same time the original strategic proposals focused too much on individual sectors with limited emphasis on balancing of differences between regions. Finally the originally proposed strategy was too fragmented without proper interlinking of individual interventions.

The ex-ante evaluator elaborated already for one of the first self-contained draft versions of the NDP an alternative proposal of the strategy. This proposal is based on an assumption that the economic growth of the country (a global objective) can be achieved only via growing competitiveness of the Czech economy on the European and global scale and that competitiveness of the Czech economy is based on competitiveness of the private sector. The core of the proposed strategy was thus support of the competitive quality of the private sector in the CR with an emphasis on increasing efficiency in the private sector and on modernization (finishing the transformation) of the economy as a whole. In this context interventions in other spheres (e.g. human resources or infrastructure) are understood as supportive but still absolutely indispensable for increasing the competitiveness of the private sector.

Although the original proposal of the strategy of the NDP was proposed as – somewhat disordered – combination of pro-growth and stabilisation measures, the final proposal of the strategy NSRF focuses mainly on pro-growth. The stabilising and balancing interventions focus on the sphere of social integration and on the sphere of regional development. That is, great differences between individual regions are one of the key problems of the CR, which could be more overdeepened by a one-track pro-growth strategy. Some equalising influence will be brought about by some infrastructure investments, especially in the sphere of the road network.

As a result of acceptance of a growth-supporting strategy also strategic objectives, priority axes and individual partial priorities were reformulated. Priority axes of NSRF were in the end omitted as a redundant level and the way of achieving individual strategic objectives is described directly in partial priorities. Clarification and strengthening of the logics of priorities and their interlinking or mutual interdependence is a result of accepting of the aforementioned growth-supporting strategy with a significant regional dimension.

Ex-ante evaluators have been proposing from the very beginning of strategic discussions strengthening of regional interventions, which should manifest themselves in two ways: (i) in strengthening of regional operational programmes, (ii) and in explicit formulations of regional orientation of thematic operational programmes. The role of ROPs, expressed by financial allocations, correspond in the last proposal of the NSRF to the original recommendations of ex-ante evaluators. On the other the regional dimension TOP does not manifest itself at the level of operational programmes, regardless of the fact that it is absolutely clearly formulated at lower level of programmed documents (e.g. in programmes of the MIT focused on the support of SMEs).

In the last stages the recommendations of the evaluators aimed especially at the sphere of formulation and explication of the strategy of NSRF as well as at the sphere of formal structure/arrangement of individual parts of the strategy and description of priorities. These requirements have been fulfilled at the general level, the chapter on strategy underwent a significant change between May and November. Nonetheless as far as the content goes the NSRF strategy remains very similar to the strategy from May, which is considered to be correct by the evaluators. Orientation and structure of the strategy and of priority axes are considered to be relevant by the evaluators in relation to the needs and problems of the CR in the sphere of economic and social cohesion.

### ***Partial objections to the strategy and priorities of the NSRF***

Even though the evaluators have no serious objections to the content, orientation and objectives of the strategy of NSRF, they still have some partial comments concerning its individual parts.

The description of priorities in the November version was more transparent, its formal structure was integrated, and relations to the Lisbon strategy have been strengthened (NRP). The evaluators consider the stated overview of connections between NRP and NSRF sufficient.

The introductory part of the strategy, subchapter 6.1. Starting points for strategy formation is clear structured and focusing on strategic components of the competitiveness of the CR as a whole.

The enumeration of value viewpoints of the strategy, which is in fact an enumeration of general needs of the society that are to be achieved with the help of the NSRF and intervention of the cohesion policy, was changed according to the requirements of the evaluators of the NSRF in order to correspond to the order of their importance.

The evaluators also recommended simplification of the global objective formulation. Due to modifications of formulations of individual priorities and formal descriptions of strategic objectives the evaluators are of the opinion that the change was as possible but still it has not been implemented.

**Global objective:** as to the content it is principally proposed correctly and it is clear that strategic objectives support it. But ex-ante evaluators have been pointing out since December 2005 that the formulation of the objective is too long-winded: in one declaration it attempts at a summary of all thinkable developmental aspects. Therefore the objective is not clearly intelligible.

Evaluators recommend new formulation of the global objective:

The global objective of the NSRF is to make the CR an attractive place for investments, create perfect conditions for employment and offer people opportunities of further development using outstanding economic growth in accordance with the principles of the sustainable development.

Despite clear and simpler wording of the proposed of the global objective taking into consideration the achievement of a fall-round agreement within the CR.

ormulation the initiator did not reword the text specially the fact that this is a fundamental

**Strategic Objectives** for a **Competitive Economy** and for **Attractive Environment** are formulated correctly and can be sufficiently monitored via measurable indicators. Strategic Objectives for an Open, Flexible and Cohesive Society are for Balance and Development of Territory are formulated in a way that is too complicated as multiple objectives.

and for **Attractive Environment** are formulated surable indicators. Strategic Objectives for an d Development of Territory are formulated in a

Recommendation of the evaluators for unification of example of the Strategic Objective Competitive Czech via formulation of the text for its own strategic objective accepted as to the graphic arrangement and partial

formulations of objectives according to the h Economy, which should be done not only bjective but also via graphic representation was also as to the formulation of objectives.

Explanation of strategic objectives – the descriptive part of the text – has been modified in accordance with requirements of ex-ante evaluators, more on relations between strategic objectives and the text is now shorter, simpler and focuses contribute (together) to the fulfilment of the global objective.

ve part of the text – has been modified in the text is now shorter, simpler and focuses explanations how these strategic objectives will a objective.

Description and explication of priorities has been ante evaluators. An explicitly formulated objective objective is explained in short within the context of further interventions and description of key interventions.

changed in accordance with requirements of ex- has been found for every priority and this of further interventions and description of key

The description of key interventions is rather extensive, it includes detailed enumeration of prepared activities and tools of intervention. On one hand this approach shows what concrete interventions led to the fulfilment of the priority, on the other hand it somewhat restricts the space for justification of proposed interventions, in other words explanations how interventions of the given priority will contribute to the fulfilment of the objective of the priority and of the strategic objective and what are the expected results of the interventions and why they are expected.

nsive, it includes detailed enumeration of prepared his approach shows what concrete interventions hand it somewhat restricts the space for ords explanations how interventions of the given bjective of the priority and of the strategic objective and why they are expected.

Even though this chapter is significantly better in recommend to reconsider it in order to make clearer with the expected results and their contribution to the presented version of NSRF, the evaluators the interconnection of proposed interventions achieving of the intervention objectives is concerned.

the presented version of NSRF, the evaluators the interconnection of proposed interventions achieving of the intervention objectives is

In this regard, the initiator is convinced that the and the concrete expected results are clearly described

justification of proposed interventions is sufficient in the operational programmes.

**Strategic Objective Balanced Development of Territory** – is an extremely important objective for fulfilling the strategy of NSRF since it meets the principle of maintaining or increasing the territorial compactness. As it also focuses on town development, it is an important part of NSRF in achieving the objectives of Community Strategic Guidelines.

ry – is an extremely important objective the principle of maintaining or increasing the development, it is an important part of NSRF in delines.

The evaluators voiced many critical objections and objective. The text explaining this objective has been clear and well presented.

recommendations concerning this strategic been extensively re-elaborated so that now it is

Priorities fulfilling the objective Balanced Development of Territory are well selected and their content now meets the requirements resulting from other parts of NSRF strategy and the needs of the CR as a whole.

However, the evaluators are not convinced that the requirements of this strategic objective are sufficiently and appropriately accounted for in the thematic Operational Programmes, even though the descriptive text does present a general contribution of the operational programme to this objective.

The attitude of the initiator to strengthening the regional dimension of the interventions of thematic OPs is formulated in reaction to the list of continuous problems related to NSRF in the introduction of this chapter.

### ***Focus of NSRF in the context of Community Strategic Programme      Guidelines and National Reform Programme***

In general it can be said that the priorities of NSRF are well linked to the priorities of Community Strategic Guidelines and National Reform Programme.

On the other hand, we cannot quite claim that the priorities of NSRF will directly lead to fulfilling the objectives of CSG and NRP because it depends on a number of individual conditions and particular tools of corresponding interventions. These, however, can be determined only in the operational programmes or their operating documents. The value added and the community priority contribution and the community value-added of NSRF interventions were assessed by the evaluators in an analysis concerning the priorities of NSRF, CSG and NRP. This analysis also outlines the necessary conditions for the contribution realisation.

It can be expected that most interventions will significantly contribute to the community priorities. The value added can be expected mainly in the areas of clustering support and product development based on ICT or education of pedagogues whose contribution can qualitatively exceed the intended priority framework.

With some priorities, the contribution realisation is conditioned by meeting some other prerequisites. For example, in the area of decreasing energetic and material demands, it is necessary for this priority to be taken into account in other interventions as well. Another example is the support of travel industry which is related to CSG only indirectly and the contribution to the community priorities requires that the value added of these interventions is also in other areas. In the area of modernisation and widening active employment policy, the condition is motivating the demand for these services. The extent of this motivation largely depends on the way the social security system is set up.

### ***Indicator evaluation of NSRF and OP***

The system of indicators in the NSRF version from May 2006 was first proposed as a whole. Several ex-ante evaluators significantly contributed to the proposal. Their suggestions were generally accepted by the NSRF processors.

The November version contained some changes in the system of indicators. Context indicators and some indicators concerning strategic objectives were added, all indicators are now presented with initial and target values.

The recommendations of ex-ante evaluators from June 2006 were accepted only in some cases. The recommendations (consciously) contradicting the proposals of CORE and Lisbon indicators were

not accepted. The area of indicators related to research and development results was significantly strengthened.

The strategic objective did not include the indicator of the percentage of the same-year-born population starting university education demanded by the evaluators. This indicator is very closely related to the Education priority. The evaluators repeatedly asked for it. The impact indicator on the level of global target, measuring the percentage of people with university education in the population group of 15-64 years which the evaluators did not consider sufficient was replaced by the percentage of university students between 19-22 years. This has a very similar information value as the indicator proposed by the evaluator.

The strategic objective Attractive environment required fulfilling indicators monitoring the results and impact of the interventions on the environment. The indicator of railway transport was filled in.

<p>However, the most important indicator required by the evaluators, linked to the greatest financial sum in the transport sector, the indicator of regional town connection to the motorway network, was not filled in. The evaluators stress the importance of filling in this indicator, or replacing it by a indicator monitoring which concrete and complete transport connections (motorway and first class roads) will be realised. For example, the fast connection Hradec Králové – Olomouc or Ostrava – national borders in the direction of Zilina etc.</p>	n
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The indicators on the level of NSRF must follow the purpose of corresponding interventions. The purpose of interventions in the transport sector is improving accessibility to corresponding regions, as expressed explicitly in the formulation and description of the corresponding objective. The purpose of interventions in the transport sector is not to build roads, as can be seen from the proposed indicator. The evaluators cannot accept the possibility that money from structural funds would be drawn to build individual segments of motorways which would not be mutually connected in the plan period. Yet, the proposed indicators clearly point to this possibility.

In the initiator's opinion, the purpose of indicator is to quantify fulfilling of given objectives, although in the planning documents their particular focus is expressed in the strategy and description of individual priorities, in this case in the planning document of OPT and in the project documentation of given projects. On the level of NSRF, larger contribution of interventions should be supported. These are expressed in the time-saving indicator on new roads and motorways.

### ***Evaluating the impact of NSRF interventions***

Evaluating the impact of NSRF interventions is done using macro-economic modelling with the HERMIN model. This modelling is based on methodical requirements of the European commission for evaluating NSRF and it is dealt with in a special project.

However, the ex-ante evaluators believe that evaluating the impact of individual interventions at least on the quality level should be conducted outside the framework of macro-economic model. Regarding the fact that NSRF is realised with help of individual OPs, such evaluation can be done only using the evaluation operating plans or, at least, with the knowledge of operating plan priorities and their content. A detailed description and explanation of the evaluation results is presented in the complete version of ex-ante evaluations. Only the most important conclusions are presented here.

**Strategic Objective of NSRF Competitive Czech Economy.**

The impact of interventions in this objective will also be very probable that the outputs and results extent as presumed due to barriers identified in the	very likely to take place with a certain time delay. It will not lead to the impact on NSRF level to such an extent as presumed in the impact evaluation.
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**Strategic Objective Open, Flexible and Cohesive Society.**

The interventions mentioned on the priority axes of OP Human Resources and Employment will lead to a successful fulfilment of NSRF priority programs provided that barriers of mainly institutional and legislative character will be removed. In principle, they can be realised, in spite of objections in the area of education and retraining programme quality. However, the evaluators are convinced that the parameters of the Czech social system can basically block the existing focus of active labour market policy. This can be shown on the worsening structure of unemployed population from the point of view of the length of unemployment which is not only due to a lack of jobs or insufficient qualification of the unemployed. The chances to achieve objectives in this area, with regard to the character of the social system, are significantly limited.
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A general and, in OP, an unsolved problem of ESF programmes is that they focus on partial problem, dealing with only some phenomena (for example, kindergartens, family member care allowing the caring person to study and look for a job) or only to a certain extent. It does not always solve both offer and demand, but only some parts of them. In addition, the programmes are not linked to corresponding activities in the area of reforms of public administration which might lead indirectly also to changes in legislation in order to increase employee motivation.

**Strategic Objective Attractive Environment.**

The ex-ante evaluators had some doubts about the extent resulting from the priority axes 2 and 4 of OPT. They considered the output indicators – that is the length of the planned roads and highways to be overrated several times or the cost of such construction underrated. In the corrected version (after the finished ex-ante evaluation) of a given OP the output indicator values are significantly lower. Similarly, in the priority axes of Regional operational programmes (2 <sup>nd</sup> and 3 <sup>rd</sup> class roads and local communication) for South-West, North-West, North-East and Moravia and Silesia region, the expected length of built or reconstructed roads is probably overrated, regarding the real cost in the CR when compared to the proposed financial allocations in corresponding priorities. In these cases, the objective achievement of presented priority axes, and achieving the objective of NSRF priority, is rather unsure.
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**Strategic Objective Balanced Development of Territory.**

The Integrated Operational Programme still contains a number of various intervention areas which are not too connected content-wise. However, the IO also contains some parts which are of quite high quality and whose impact can be expected to be significant from the point of view of fulfilling the selected priorities of NSRF. Especially the priority 1 of Modernisation of public administration and the support focused on regeneration of block of flats can significantly contribute to the NSRF realisation. The interventions focusing on the infrastructure for social service are essential for the NSRF, their impact, however, will show only in a tight connection with other programmes focusing on the way of using these establishments.
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The interventions proposed in ROPs in the priority axes of regional transport infrastructure will lead to adequate results which will contribute to fulfilling individual ROPs. The proposed interventions will create, to a certain extent, technical prerequisites for decreasing negative impact of transport on the environment, yet these prerequisites will lead to the fulfilling of this complex objective only under conditions of creating much more attractive

public transport and establishing integrated transport system for which the CR does not have favourable conditions.

In the case of tourism, too much stress is put on foreign tourists. The evaluators believe that the potential of the domestic travel industry is not sufficiently reflected, and this holds for all ROPs. The so-called soft interventions in the area of travel industry are proposed in a very general manner. Regarding the absence of their logical interconnectedness, a limited effect of intervention realisation can be expected in this area.

In the area of integrated territorial development it can be stated that even in spite of the expected delay of the realisation of integrated development, the intervention system will be set up in such a way that huge projects concentrated either territorially or thematically will be supported. Nothing impedes this from the technological point of view, ROP contains all necessary activities for the realisation of integrated development plans in the areas of town regeneration and the development of social service infrastructure in towns.

A great challenge is represented by the readiness and willingness of participants, especially municipalities, to realise these activities in an integrated, territorially or thematically concentrated way. It seems so far that towns and their representatives will prepare integrated development plans as a series of freely related interventions, linked together by an explanative strategy, or in better case, as a project part of previously elaborated, rather wide strategies for town development.

The initiator accepts the presented critical notes and conclusions of the evaluators related to the implementation of OPs. The recommendations in the next part for operational programmes are also considered to be an important document in approaching risks related to fulfilling the objectives of NSRF. Their prevention or removal is one of important tasks for NSRF realisation, for tuning up and improving the implementation and coordination mechanisms of OPs and for maximising the intervention value added.

#### 14.7. Operational Programmes: implementation tool for NSRF

Between June and November 2006, the operational programmes changed significantly. The chapter devoted to operational programmes in NSRF is sufficient, clear and contains information required at this level.

In the period from August to November, most overlaps between operational programmes were removed, interventions to be realised in ROP were financially strengthened and the concept of the IOP was re-elaborated.

The number of operational programmes, the basic distribution of interventions and their relation to the NSRF priorities are, from the point of view of ex-ante evaluators, acceptable and, in principle, meet the requirements and recommendations of previous ex-ante evaluations, with two exceptions:

- the priorities of the NSRF Strategic Objective Balanced Development of Territory must be supported by regional and urban specifications of interventions in thematic operational programmes. Regardless the continuous recommendations of ex-ante evaluation this is still not the case.
- The Integrated Operational Programme, in spite of an essential improvement and narrowed focus, is for the moment only freely related to NSRF priorities and only some interventions contribute to their objectives.

Strategic justification of all operational programmes (with the exception of the IOP) are based on content logic and the requirements of NSRF priorities. At the same time, the system of administration and competition distribution is, to a certain extent, taken into account as well, both at the Government/ministry and regional/local levels.

A continuous problem is represented by the fact that the description/operation proposed in OPs have, in most cases, brought along positive changes and the current programming period. The delimitation of intervention areas describes where (theoretically) it will be possible to invest structural funds but it does not say what concrete interventions/operations will be realised and supported.

In accordance with General rules for SF, all OPs are proposed using one fund. One-fund plans, their wide focus and in some cases related interventions (for example OP R&DI, OP EC, OP E and ROPs) will require a very tight coordination among the programmes.

This situation puts a great demand on cooperation and unified procedures of plan implementation bodies. The evaluators are convinced that in the case of operational programmes such conditions are not created.

The ex-ante evaluators consider useful defining conditions for coordination between OP interventions in the description of some OPs (for example OP Research, Development and Innovation and OP Education for Competitiveness). However, not all links have been identified. The evaluators are further convinced that the requirements resulting from NSRF are not sufficiently elaborated in individual OPs and that there is a risk that when implementing OPs, they will not be taken into account.

#### 14.8. Evaluation of community horizontal policies in the NSRF

The ex-ante evaluators recommended to include a new subchapter into the NSRF strategy which would directly focus on the issues related to horizontal topics. This chapter was included into the NSRF. Its content and focus are for the NSRF texts sufficient.

Besides including the subchapter of horizontal topics into the NSRF strategy, it is necessary to reflect these issues also in individual operational programmes.

#### 14.9. Ex-ante evaluation of the chapter Management and coordination of cohesion policy in CR for the period of 2007-2013

The final text of NSRF contains a comprehensive description of the prepared institutional structure and mechanisms for management and coordination of the cohesion policy for the next plan period on the state level.

This chapter shows a continuous weakness in a too strong emphasis on a rather detailed enumeration of powers exercised by individual bodies at the top of the implementation, financial and control system rather than emphasising strategic or conceptual principles which would allow overcoming the current problems occurring during the implementation of Economic and Social Cohesion policy. When compared to the version from May 2006, some key components were elaborated which directly react to the current problems and which were also negatively commented upon in the previous evaluation – (i) changes in the financial flow system, (ii) the area of personal capacities development, or personal policy in the sphere of Economic and Social Cohesion policy.

The text of NSRF also deals with the administrative relation to final beneficiaries. However, some doubts capacity reaching to the regional level *should be* points whose task will be to provide information and operational programmes and types of support" (pg. 9 **contact points – as purely technical measures – are absorption capacity of the CR.** issue and the issue of absorption capacity in ts are aroused by the formulation: "Absorption ensured by creating a complex net of contact d assistance to applicants in the regions via all 4). **The evaluators are convinced that the not a sufficient tool to solve problems of**

The initiator also does not believe that a net of c ontact points (centre assistance) is a solution to the problem of absorption capacity. This tool is concep tualised as a strong foundation for a systematic territorial support of absorption capacity which chre quires mutual effect of activities financed with the technical assistance of individual OPs. e

According to the ex-ante evaluators, the text of th is chapter now meets the requirements put on this part of NSRF even in spite of some continuing defic iencies.

#### 14.10. Evaluating chapters System of financial flow sof SF and CF via the state budget

The chapter "System of financial flows... " is very brief, it outlines some changes whose goa l is to achieves speeding up the financial flow to the fina l beneficiaries.

The understanding of the way of calculating nationa l co-financing was made clearer and more precise. In the next planning period it will be rel ated not to the overall justified costs but only to the costs financed from public resources. This procedur e eliminates a high level of uncertainty related to the estimates of potential co-financing by final beneficiaries.

Of great consequences will be the statement on pg. 103 claiming that "national programmes will support only those areas which cannot be co-financ ed from European resources". Although, in general, this rule can be welcomed, its application can be very unsuitable in some cases.

The final version of NSRF newly includes a chapter devoted ex ante verification of additionality. Methodically, the analysis is based on determining relevant expenditures in the same structure as when calculating the additionality for the period o f 2004 – 2006, excluding the support of agriculture and countryside development which will not be included in the interventions from structural funds for the period of 2007-2013. On the other hand, expenditures to support housing were newly included.

We stress the fact that when compared to the curren t programming period, there is a high increase of additionality (by ca. 62%), especially due to an increased investment in the transport infrastructure, growth of qualified investments fin anced by regional authorities and the fact that housing expenses were higher than expenses on agric ulture and countryside development.

<p>According to the ex-ante evaluators, the assessed c hapters meet the requirement put on NSRF. However, we would like to point out the need to cla rify the way of linking the national and European programmes or, to be more precise, specify ing ways to ensure their complementary character while respecting the principle of additio nality in individual cases.</p>
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## 15. ASSESSING THE IMPACT OF THE NSRF ON THE ENVIRONMENT

Assessing the impacts of concepts on the environment regulated in the CR by Act No. 100/2001 Coll., on a amended by Act No. 93/2004 Coll. (hereinafter referred to as the "SEA") is assessing the impacts on the environment, as referred to as the "Act on Assessment").

The NDP was compiled before the NSRF. For the purposes of the SEA, and following the consultation with the MRD and the MoE (as the appropriate authority in charge of the assessment), the NSRF was accepted as a document that follows on from the NDP and summarises its principle outputs. For this reason, the SEA was commenced for the NDP – however, the overall assessment process also included an assessment of the NSRF.

The content and scope of the assessment was set out in the conclusions of the findings proceedings in compliance with Section 10 of the Act on Assessment, which was issued by the environmental impact assessment department and the IPCC (Intergovernmental Panel on Climate Change) of the MoE.

The SEA process was launched almost at the same time as work began on the NDP and proceeded alongside the compilation of the NDP, and later the NSRF. The basic framework for assessing the individual parts of the NDP and the NSRF was set out of reference objectives for the protection of the environment. The foundation for the setting of reference objectives were objectives and priorities of the existing relevant international and national conceptual documents, an analysis of the state of the environment and the main identified trends and problems in relation to environmental protection in the CR. On the basis of this assessment, the author of the SEA proposed amendments and supplements to the text of the NDP and the NSRF, a system and indicators for monitoring the impact of the implementation of the NDP/NSRF on the environment and environmental criteria for project selection within the framework of the subsequent OPs. Within the SEA an evaluation of the effects of the NDP/NSRF on public health and on local actions in the Natura 2000 system was also carried out.

An important part of the assessment was the discussion on the results of the assessment and the way in which they were taken into account by the author of the SEA, the Contracting Authority for the NDP and the NSRF (the MRD), the author of the NDP and the NSRF and the author of the ex-ante evaluation of both documents.

For the information purposes and purposes of involving the public in the preparation and assessment of the NDP/NSRF, the author of the SEA established a website, on which the draft versions of the NDP/NSRF, the outputs of the assessment and other relevant documents were published on an ongoing basis. Interested parties could also register for an e-mail conference on the SEA for the NDP/NSRF and send the SEA authors questions, observations and comments on an ongoing basis. At the initial stages of the SEA, a public seminar on the SEA and NDP was held.

Within the context of the NDP/NSRF SEA, individual SEAs also had to be coordinated for the subsequent OPs. Workshops were organized together with the Contracting Authority, hosting the individual SEA authors, at which the outputs of the NDP/NSRF SEA were presented and the possibilities and modalities of their use in the context of the SEA Operational Programmes were discussed.

The final phase of the SEA presents the opinion of the MoE after public discussion on the evaluated documents. This opinion is a prerequisite for the approval of the documents by the Czech Government. (Section 10 paragraph 4 of Act No. 100/2001 Coll.). Public discussion on the NSRF of the CR according to the SEA evaluation process was held on 27<sup>th</sup> November 2006. The final statement of the MoE was published on 7<sup>th</sup> December 2006.

### 15.1. Process and Outcomes of the Assessment

All parts of the NDP/NSRF were assessed in the SEA. For each individual part, the set of reference objectives was established based on the analysis of existing strategic documents and they reflect current issues dealt with in the NDP/NSRF. The final choice of the objectives was made so that these objectives respond to the content of particular NDP/NSRF priority axes and priorities.

A. The basic framework for the evaluation of the impact of the NDP/NSRF on the environment. These strategic documents and they reflect current issues dealt with in the NDP/NSRF. The final choice of the objectives was made so that these objectives respond to the content of particular NDP/NSRF priority axes and priorities.

**Individual chapters of the NDP/NSRF were assessed by a set of reference objectives – the author of SEA gave, among others, the following recommendations:**

- to amend the analytical part of the NDP/NSRF,
- to amend and modify the strategy of the NDP/NSRF,
- to amend and modify the priorities of the NDP/NSRF,
- proposed the focus of particular OP's contents.

These changes were proposed by the SEA author in the form of direct modifications and amendments of the working versions of the NDP/NSRF. Another significant outcome of the assessment was the proposal of a system and indicators for evaluation of the impact of the NSRF implementation on the environment, and environmental criteria for the evaluation and the selection of projects submitted in concurring OPs. An assessment of the impact of the NSRF on public health and European significant locations and bird territories.

the form of direct modifications and indicators for evaluation of the impact of the NSRF implementation on the environment, and environmental criteria for the evaluation and the selection of projects submitted in concurring OPs. An assessment of the impact of the NSRF on public health and European significant locations and bird territories.

### 15.2. Participation of the Public in SEA

The participation of the public is an integral part of the process of assessment of the impact on the environment. Public meetings in the form of introductory seminar and round table took place in the initial phases of NDP preparation and the assessment of the impact on the environment. Given the character of assessed documents, its target group was foremost the expert public, including potential beneficiaries of aid. Much attention was paid to the involvement of the public in the SEA process in the course of the NDP/NSRF preparations and an assessment of its impact on the environment, respectively. The aim was to have the public efficiently involved in the commenting on the NDP/NSRF and its assessment of the impact on the environment. This was to happen in the initial stages of both processes, so that the public could be actively involved in the NDP/NSRF drafting and the assessment of the impact of the environment itself.

of the process of assessment of the impact on the environment. Public meetings in the form of introductory seminar and round table took place in the initial phases of NDP preparation and the assessment of the impact on the environment. Given the character of assessed documents, its target group was foremost the expert public, including potential beneficiaries of aid. Much attention was paid to the involvement of the public in the SEA process in the course of the NDP/NSRF preparations and an assessment of its impact on the environment, respectively. The aim was to have the public efficiently involved in the commenting on the NDP/NSRF and its assessment of the impact on the environment. This was to happen in the initial stages of both processes, so that the public could be actively involved in the NDP/NSRF drafting and the assessment of the impact of the environment itself.

The public had an opportunity to voice their opinion on the announced concept in the initial phase of the assessment process about the impact of the NDP on the environment in 2007-2013. The concept was published on 12 August, 2005 in the SEA Information System at [www.ceu.cz/EIA/SEA/Koncepce/](http://www.ceu.cz/EIA/SEA/Koncepce/). It was possible to send comments within 20 days since the publication. Based on the comments of the public, a conclusion of the declaratory proceeding was published (also in the SEA Information System) by MOE on 9 September 2005. The conclusion of the proceeding stated that it is still necessary to subject NDP to the assessment of the impact on the environment and what the assessments should be focused on.

on the announced concept in the initial phase of the assessment process about the impact of the NDP on the environment in 2007-2013. The concept was published on 12 August, 2005 in the SEA Information System at [www.ceu.cz/EIA/SEA/Koncepce/](http://www.ceu.cz/EIA/SEA/Koncepce/). It was possible to send comments within 20 days since the publication. Based on the comments of the public, a conclusion of the declaratory proceeding was published (also in the SEA Information System) by MOE on 9 September 2005. The conclusion of the proceeding stated that it is still necessary to subject NDP to the assessment of the impact on the environment and what the assessments should be focused on.

The public was also informed of the SEA process and media (press, radio). Press releases were circulated for each phase of the preparation of the NDP/NSRF and the SEA, they were distributed to national and regional daily newspapers, specialist magazines and radios. The comments gathered during the "Participation of NGOs in the commenting in NSRF (NDP) for 2007-2013" project were also used in the SEA process. This project's focus was to include the NGOs in NDP/NSRF drafting. Workshops were held in the initial

public meetings through information in the media (press, radio). Press releases were circulated for each phase of the preparation of the NDP/NSRF and the SEA, they were distributed to national and regional daily newspapers, specialist magazines and radios. The comments gathered during the "Participation of NGOs in the commenting in NSRF (NDP) for 2007-2013" project were also used in the SEA process. This project's focus was to include the NGOs in NDP/NSRF drafting. Workshops were held in the initial

stages of NDP preparations, whose goal was to introduce NDP and to discuss the proposals of priority axes. www.cpkp.cz/regiony and by an email conference. A working group for the drafting of each OP.

duce the participants to the current version of NGOs were further informed by the webpages representative of NGOs was present at every

### 15.3. Conclusions of the NDP/NSRF SEA

The author of SEA proposed an approving position based on the assessment of the impacts of the NDP/NSRF on the environment, setting the following

conditions:

#### A. Conditions for an approving position

To track the impacts of the implementation of NSRF

on the environment, i.e. primarily:

- to co-ordinate the incorporation of environmental indicators proposed during the SEA of NDP/NSRF into particular operational programmes and into their systems of implementation (as indicators and criteria for evaluation and selection of projects),
- to co-ordinate the linking of the monitoring systems of individual OPs to the project evaluation and selection system using the environmental indicators,
- to regularly publish the results of monitoring,
- to provide an adequate personnel and professional capacities in the field of environmental issues within the system of monitoring of the NSRF impacts and co-ordinate adequate capacities for these issues within the OPs,
- to negotiate the proposed overall system of monitoring of the NSRF impacts (and subsequently of individual OPs) with the Ministry of Environment before its launch, in particular the method of the environmental issues' incorporation into the whole system,
- to support and co-ordinate within the NSRF and OPs implementation the provision of an adequate informedness on the environmental issues and on potential linkages of operational programmes and submitted projects with the environment.

To co-ordinate the incorporation of the environmental issues in the system of project evaluation and selection, in particular:

al issues in the system of project evaluation and

- to co-ordinate the selection and implementation of proposed environmental indicators into the system of project evaluation and selection of each OPs,
- to co-ordinate the linking of the system of the projects' environmental assessment within the OPs with the monitoring system of impacts of the OPs and NSRF implementation,
- to co-ordinate an adequate capacities for the environmental projects assessment within the respective OPs,
- to recommend the negotiations with the MoE (initiated by the MA of a respective OP) on the proposed systems of project evaluation and selection, in particular on the method of the environmental issues' incorporation into the system.

All the above mentioned conditions for the approving

position have been met.

#### B. Conditions for approving position from the aspect of the impact on significant European locations and bird territories.

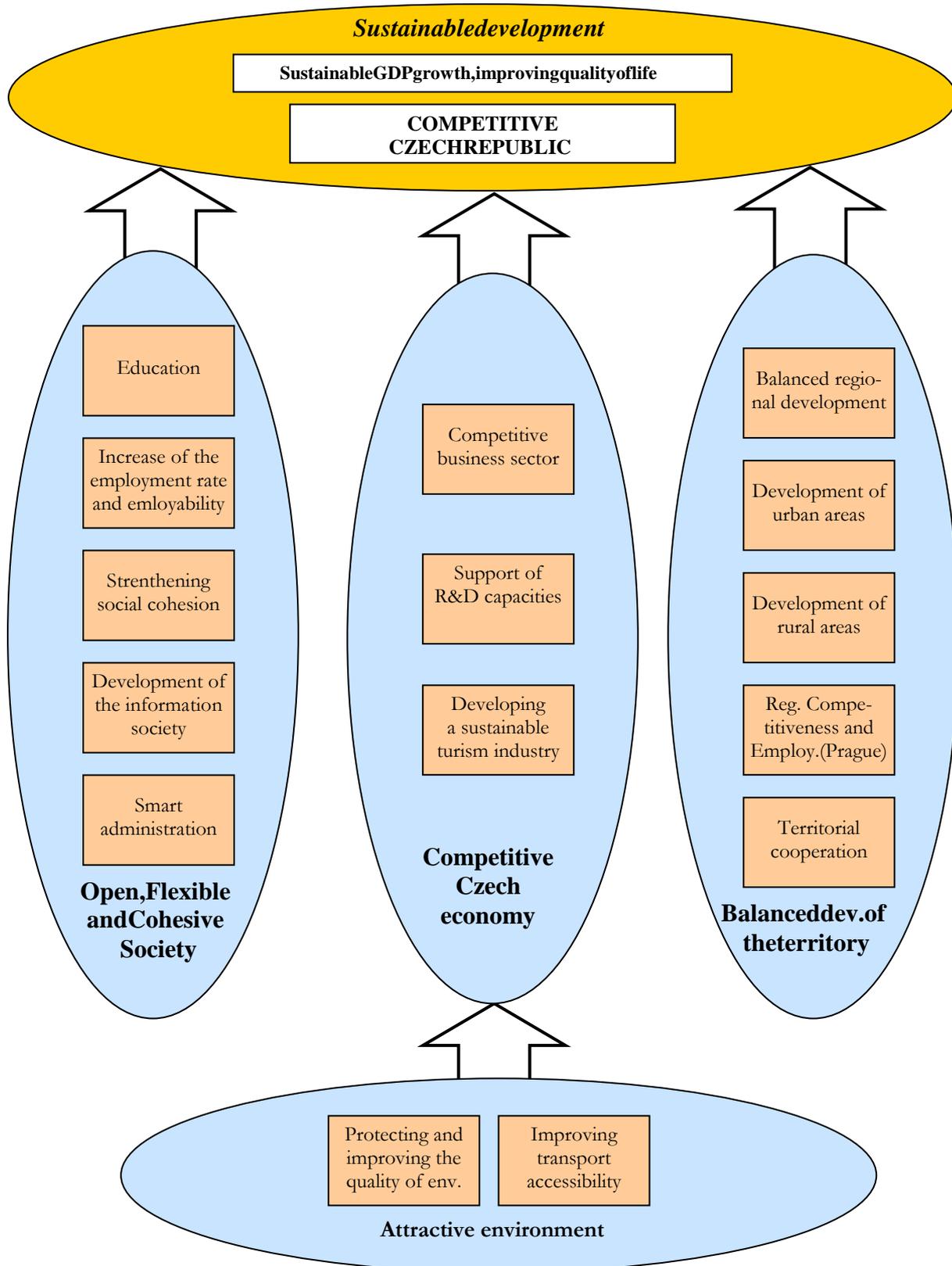
t of the impact on significant European

The NDP/NSRF shall not be of any negative influence on the significant European locations and bird territories on the condition that during the realization of the OPs the rules for protection of the significant European locations and bird territories will be respected.

on the significant European locations and bird territories on the condition that during the realization of the OPs the rules for protection of the significant European locations and bird territories will be respected.

## **ANNEX**

**A.NSRFStrategydescription**



**B. Description of the links between NSRF strategic objectives and NRP measures**

Strategic objective/priority of the NSRF	Measure of the NRP
<b>Competitive Czech economy</b>	
<ul style="list-style-type: none"> <li>- Competitive business sector</li> <li>- Support of R&amp;D capacity for innovation</li> </ul>	<ul style="list-style-type: none"> <li>- Increase public expenditure on research and development in the year-on-year terms</li> <li>- Support investments into research</li> <li>- Increase intensity of the use of tools protecting intellectual property rights by research and development institutions and enterprises</li> <li>- Develop innovative infrastructure</li> <li>- Improve access of innovative companies to funds</li> <li>- Increase professional mobility through effective retraining systems</li> <li>- Support cooperation of employers, employees and educational institutions, as well as other professional training institutions.</li> <li>- Support further training and education in the business sector.</li> <li>- Secure the availability of human resources in the research and development sector.<sup>45</sup></li> </ul>
<b>Open, Flexible and Cohesive Society</b>	
<ul style="list-style-type: none"> <li>- Education</li> <li>- Increasing employment and employability</li> <li>- Development of information society</li> <li>- Smart administration</li> </ul>	<ul style="list-style-type: none"> <li>- Create a uniform nationwide high speed ICT infrastructure.</li> <li>- Support the development and effective use of ICT.</li> <li>- Facilitate the convergence of networks and services that are part of the electronic communications marketplace.</li> <li>- Facilitate on the security of networks and information and the interoperability of ICT services.</li> <li>- Modernize employment policies.</li> <li>- Reduce unemployment among young people (25 and below).</li> <li>- Promote equal opportunities for men and women in the labour market.</li> <li>- Increase the participation of older people in the labour market.</li> <li>- Increase professional mobility through effective retraining systems.</li> <li>- Curriculum reform.</li> <li>- Provide better access to higher professional and university education.</li> <li>- Support cooperation of employers, employees and educational institutions, as well as other professional training institutions.</li> <li>- Improve the relations between initial and further education systems.</li> <li>- Support permeability between the individual levels of tertiary education.</li> <li>- Support further education in the business sector.</li> <li>- Increase the IT literacy.</li> <li>- Implement a transparent process for the evaluation of the impact of the new legislation.</li> </ul>

<sup>45</sup> The measure Secure the availability of human resources in the research and development sector was newly added in 2006.

urces in the research and development sector was newly added in

Strategic objective/priority of the NSRF	Measure of the NRP
	– Reduce the administrative burden of businessmen by at least 20 %.
Strategic objective/priority of the National Strategic Reference Framework	Measures of the National Reform Programme
<ul style="list-style-type: none"> <li>- Protection and improvement of the quality of environment</li> <li>- Improving transportation accessibility</li> </ul>	<ul style="list-style-type: none"> <li>- Maximize energy and material efficiencies and rationalize the utilization of resources.</li> <li>- Support environmentally friendly technologies.</li> <li>- Modernize and develop transport networks.</li> <li>- Implement intelligent transport and traffic management systems.</li> <li>- Increase the share of railway transport in the transport market and develop combined transport.</li> </ul>
Balanced development of territory	
<ul style="list-style-type: none"> <li>- Balanced regional development</li> <li>- Development of rural areas</li> <li>- Development of urban areas</li> </ul>	<ul style="list-style-type: none"> <li>- Modernize and develop transport networks</li> <li>- Create a uniform nationwide high-speed ICT infrastructure</li> <li>- Increase territorial mobility</li> </ul>

## C. Tables

Table1: Basic information about the territory (as of 31 December 2004)

Cohesion region	Area (km <sup>2</sup> )	Population (1.1.2006)	Population density (population/km <sup>2</sup> )	Number of local government units	GDP per capita in PPS EU-25=100
Prague	496.1	1181610	2360	1	143.0
Central Bohemia	11014.6	1158108	104	1146	66.4
Southwest	17618.4	1179294	67	1124	64.3
Northwest	8649.4	1127447	130	486	59.0
Northeast	12439.8	1483423	119	1116	60.9
Southeast	13992.3	1641125	117	1376	64.9
Central Moravia	9122.7	1229303	134	701*	56.7
Moravia-Silesia	5535.1	1250769	227	299*	58.2
<b>Czech Republic</b>	<b>78868.4</b>	<b>10251079</b>	<b>130</b>	<b>6249</b>	<b>70.9</b>

Source: Czech Statistical Office

\*Note: as of 01/01/2005

Table2: Dynamics of GDP in selected EU countries, (quarterly, interannual change, percentage)

	IV. 2002	I. 2003	II. 2003	III. 2003	IV. 2003	I. 2004	II. 2004	III. 2004	IV. 2004	I. 2005	II. 2005	III. 2005
EU-25	1.2	1.5	0.7	1.0	1.6	2.4	2.9	2.2	2.3	0.8	1.7	1.9
Euroarea	1.2	1.1	0.1	0.6	1.1	2.0	2.6	1.8	1.9	0.6	1.7	1.4
<b>Czech Republic</b>	<b>1.2</b>	<b>2.4</b>	<b>3.1</b>	<b>3.6</b>	<b>3.6</b>	<b>4.1</b>	<b>4.5</b>	<b>4.6</b>	<b>4.6</b>	<b>4.7</b>	<b>5.1</b>	<b>:</b>
Germany	0.0	0.3	-0.8	-0.5	0.3	2.0	2.1	1.2	1.3	-0.5	1.6	1.3
Hungary	3.9	2.7	2.5	2.9	3.6	4.5	4.5	3.9	4.1	2.9	4.1	:
Poland	1.5	2.6	4.6	3.8	4.2	7.6	6.3	4.5	3.7	3.8	1.0	:
Slovakia	5.5	4.2	4.0	4.5	5.2	5.4	5.5	5.3	5.8	5.1	5.1	6.2
United Kingdom	1.3	2.9	2.3	1.9	3.0	2.9	3.2	3.0	3.5	0.4	1.3	:

Source: Eurostat

Table3: Amount of direct investment in the CR (CZK mil)

	2002	2003	2004	2005
Registered capital	798050.8	767018.3	809908.2	908842.5
Reinvested earnings	215042.1	242373.5	303915.9	407259.3
Other capital	152426.2	152391.8	162672.0	175462.2
<b>Total</b>	<b>1165529.1</b>	<b>1161783.7</b>	<b>1276496.2</b>	<b>1491564.0</b>

Source: Czech National Bank; Note: as of January 1.

Table4: Private entrepreneurs in the CR cohesion regions in 2003

Cohesion region	Number of private entrepreneurs*		Number of private entrepreneurs per 1000 inhabitants	
	2004	2005	2004	2005
<b>Prague</b>	288344	289116	246	246
<b>Central Bohemia</b>	216932	220439	190	192
<b>Southwest</b>	218161	218994	186	186
<b>Northwest</b>	193592	194686	172	173
<b>Northeast</b>	276859	278964	187	188
<b>Southeast</b>	281069	282797	171	172
<b>Central Moravia</b>	218864	217750	179	177
<b>Moravia-Silesia</b>	192463	192488	153	154
<b>Czech Republic</b>	1886284	1895234	185	185

\*Private entrepreneurs: entrepreneurs-natural persons; self-employed farmers; professions

Source: CSO

**Table5:R&Dexpensesaccordingtotheimplementati onsectorsandcohesionregionsin2004(CZKths)**

Cohesionregion	Sector				Total	%oftotal expensesinthe CzechRepublic
	business	govern-mental	academic	private voluntary		
<b>Prague</b>	5902805	4704418	2601133	91925	13300282	37,9
<b>CentralBohemia</b>	6193428	1042562	132	1556	7237679	20,6
<b>Southwest</b>	1228244	352909	378398	22279	1981830	5,6
<b>Northwest</b>	526512	33147	45542	1388	606589	1,7
<b>Northeast</b>	2694044	280570	430913	4051	3409578	9,7
<b>Southeast</b>	2505440	934549	1047928	5329	4493246	12,8
<b>CentralMoravia</b>	1532176	11562	293700	3906	1841344	5,2
<b>Moravia-Silesia</b>	1761673	65153	383447	2217	2212490	6,3
<b>CzechRepublic</b>	<b>22344323</b>	<b>7424871</b>	<b>5181193</b>	<b>132652</b>	<b>35083039</b>	<b>100,0</b>

Source:CSO

**Table6:ForecastofdevelopmentoftheCRpopulati onaccordingtotheselectedagegroups(meanvaria nt).**

Age Group	CalendarYear						
	2002	2005	2010	2020	2030	2040	2050
<b>0-14</b>	1589766	1487148	1400028	1408644	1274155	1197000	1173000
<b>15-24</b>	1439036	1346685	1238630	934613	976058	893325	817389
<b>25-44</b>	2964789	3110825	3165752	2933382	2348098	2091206	2050599
<b>45-64</b>	2791716	2844634	2881816	2918957	3196049	2980033	2441263
<b>65+</b>	1417962	1446681	1 596812	2088333	2308073	2633554	2956079
<b>Total</b>	<b>10203269</b>	<b>10235973</b>	<b>10283042</b>	<b>10283929</b>	<b>10102433</b>	<b>9795118</b>	<b>9438334</b>

Source:CSOforecasttill2050(years2002and2005 containrealdata).

**Table7:Harmonisedunemploymentrate(percentage).**

	12. 2004	01. 2005	02. 2005	03. 2005	04. 2005	05. 2005	06. 2005	07. 2005	08. 2005	09. 2005	10. 2005	11. 2005
EU-25	8.9	8.9	8.9	8.9	8.8	8.8	8.7	8.6	8.6	8.5	8.5	:
Euroarea	8.8	8.8	8.8	8.8	8.7	8.6	8.6	8.5	8.4	8.3	8.3	:
<b>CzechRepublic</b>	<b>8.2</b>	<b>8.1</b>	<b>8.1</b>	<b>8.0</b>	<b>8.0</b>	<b>8.0</b>	<b>7.9</b>	<b>7.8</b>	<b>7.8</b>	<b>7.9</b>	<b>7.9</b>	<b>7.9</b>
Germany	9.6	9.7	9.7	9.8	9.9	9.5	9.5	9.3	9.8	8.6	9.1	:
Hungary	6.7	6.8	6.9	7.0	7.1	7.1	7.1	7.1	7.2	7.2	7.2	7.3
Poland	18.4	18.3	18.2	18.2	18.1	17.9	17.9	17.8	17.7	17.7	17.6	:
Slovakia	17.4	17.1	16.9	16.7	16.6	16.5	16.4	16.3	16.2	16.2	16.2	16.0
UnitedKingdom	4.6	4.7	4.6	4.6	4.6	4.7	4.6	4.6	4.6	4.8	:	:
USA	5.4	5.2	5.4	5.2	5.2	5.1	5.0	5.0	4.9	5.1	5.0	5.0
Japan	4.4	4.5	4.6	4.5	4.4	4.4	4.2	4.4	4.3	4.2	4.5	:

Source:Eurostat

**Table8:Unemploymentrateaccordingtothelabour forcesamplesurvey**

Cohesionregion	2000	2001	2002	2003	2004	2005
<b>Prague</b>	4.2	3.9	3.6	4.2	3.9	3,5
<b>CentralBohemia</b>	7.5	6.7	4.9	5.2	5.4	5,2
<b>Southwest</b>	6.0	5.7	4.8	5.2	5.8	5,1
<b>Northwest</b>	13.8	11.7	11.3	11.2	13.1	13,5
<b>Northeast</b>	6.9	6.2	5.3	6.5	6.7	5,6
<b>Southeast</b>	7.8	7.8	6.8	7.2	7.9	7,7
<b>CentralMoravia</b>	10.6	9.5	8.8	8.6	9.8	9,7
<b>Moravia-Silesia</b>	14.3	14.3	13.3	14.7	14.5	13,9
<b>CzechRepublic</b>	<b>8.8</b>	<b>8.1</b>	<b>7.3</b>	<b>7.8</b>	<b>8.3</b>	<b>7,9</b>

Source:CSOaccordingtothedataoftheAdministra tionofemploymentservicesoftheMoLSACR

**Table9: Technical infrastructure in cohesion regions, 2004**

Cohesion region	Percentage of population with direct water supply	Percentage of population living in houses connected to the sewage system	Percentage of treated wastewaters	Percentage of flats connected to gas supply*
Prague	99.9	99.5	100	73.9
Central Bohemia	82.0	61.0	98.3	44.3
Southwest	86.5	81.6	88.6	47.7
Northwest	96.6	83.8	93.7	68.2
Northeast	92.0	69.6	95.3	52.1
Southeast	92.1	79.9	91.4	72.7
Central Moravia	87.4	75.4	95.4	71.0
Moravia-Silesia	95.6	73.7	93.1	79.7
Czech Republic	91.6	77.9	94.4	64.1

\*According to the Population and housing census 2001

Source: CSO

**Table 10: Percentage of the NUTS level 2 regions' capacity of registered accommodation facilities for tourism and number of visitors in the CR in 2004, CR=100**

Cohesion region	Accommodation facilities	Rooms	Beds	Arrivals		Overnight lodging	
				Domestic visitors	Foreign visitors	Domestic visitors	Foreign visitors
Prague	7.7%	18.9%	15.8%	6.4%	57.3%	4.0%	51.6%
Central Bohemia	7.3%	6.6%	6.9%	9.5%	4.4%	8.7%	3.7%
Southwest	18.6%	15.1%	16.9%	17.9%	8.1%	18.3%	7.1%
Northwest	10.9%	12.4%	10.8%	6.2%	8.8%	9.3%	16.2%
Northeast	29.0%	21.1%	23.2%	23.4%	9.9%	25.0%	12.3%
Southeast	10.8%	10.9%	11.1%	16.3%	6.8%	11.9%	4.5%
Central Moravia	9.3%	9.0%	9.2%	12.4%	3.0%	14.4%	3.1%
Moravia-Silesia	6.5%	6.0%	6.1%	7.9%	1.8%	8.4%	1.5%

Source: CSO

**Table 11: Local government units ("LGUs") and population of the cohesion regions, 2004**

Cohesion region	Population	Number of LGUs	Population/LGU	No. of LGUs with town statute	Urban population in%
Prague	1170571	1	1170571	1	100.0
Central Bohemia	1144071	1146	998	74	54.6
Southwest	1175330	1124	1046	91	65.2
Northwest	1126721	486	2318	74	79.7
Northeast	1480144	1116	1326	11	68.5
Southeast	1640354	1376	1192	80	61.4
Central Moravia	1225832	701*	1756	56	59.3
Moravia-Silesia	1257554	299*	4164	40	76.7
Czech Republic	10220577	6249	1636	527	70.2

Source: CSO

\*Note: as of 1.1.2005

Table 12: Structural Funds drawing (within operational programmes to 31 January 2007) in millions CZK

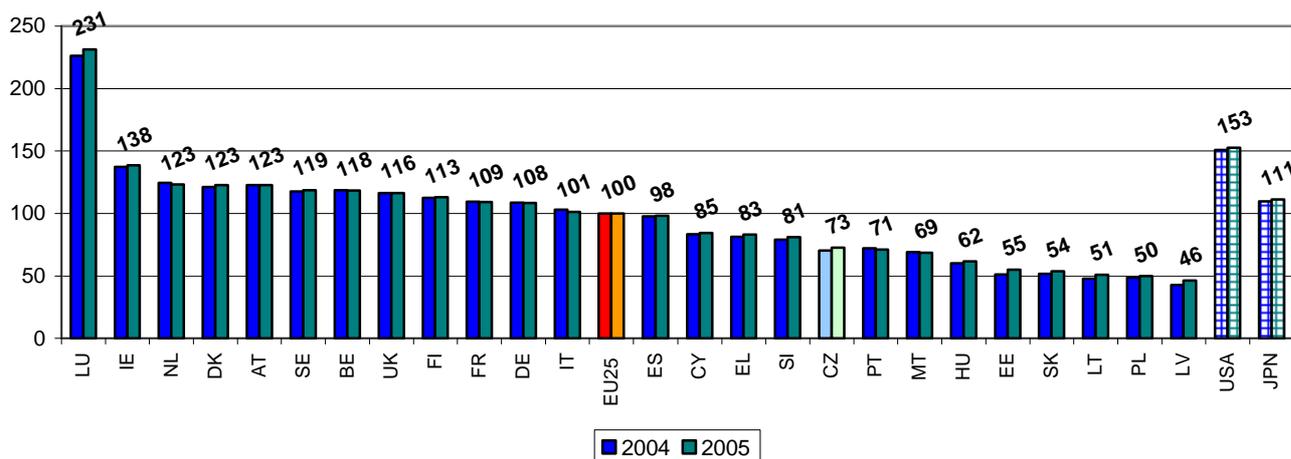
Programme	Allocation 2004 - 2006	Allocation 2004 + 2005	Concluded contracts / Decisions	Expected - Incurred Expenditures	Actual Condition - Incurred Expenditures	Demanded from the EC + advance payment (million CZK)
<b>Objective 1</b>						
JROP	12 869,2	8 182,3	13 637,3	4 804,9	4 578,0	4 995,7
OP HRD	9 029,1	5 603,1	9 193,2	1 024,2	1 029,4	2 249,3
OP IE	7 435,7	4 698,2	7 053,0	2 076,3	2 035,0	2 978,3
OP I	6 954,8	4 437,1	5 956,2	3 294,5	3 413,7	3 634,4
OP Agri	4 816,1	2 997,2	5 040,7	2 294,8	2 380,2	2 112,6
<b>Total Obj. 1</b>	<b>41 104,9</b>	<b>25 917,9</b>	<b>40 880,4</b>	<b>13 494,7</b>	<b>13 436,3</b>	<b>15 970,2</b>
<b>Objectives 2 and 3</b>						
SPD 2	2 010,3	1 428,9	1 631,0	712,6	749,3	737,9
SPD 3	1 660,9	1 179,9	1 621,5	288,7	294,0	544,4
<b>Total Obj. 2 and 3</b>	<b>3 671,2</b>	<b>2 608,8</b>	<b>3 252,5</b>	<b>1 001,4</b>	<b>1 043,3</b>	<b>1 282,2</b>
<b>Community Initiatives</b>						
INTERREG IIIA-CZ-PI	977,1	679,4	475,3	100,4	100,4	175,5
EQUAL	865,0	576,0	919,4	202,4	218,9	271,7
<b>TOTAL SF</b>	<b>46 618,2</b>	<b>29 782,1</b>	<b>45 527,6</b>	<b>14 798,9</b>	<b>14 798,9</b>	<b>17 699,6</b>
<b>Cohesion fund</b>	<b>36 906,1</b>		<b>36 906,1</b>	<b>15 742,4</b>	<b>14 692,4</b>	<b>14 692,4</b>

Source: CSF Ministry for Regional Development \* does not include projects related to the grants scheme CZ04.4.85/PL Polish individual projects

## D. Diagrams

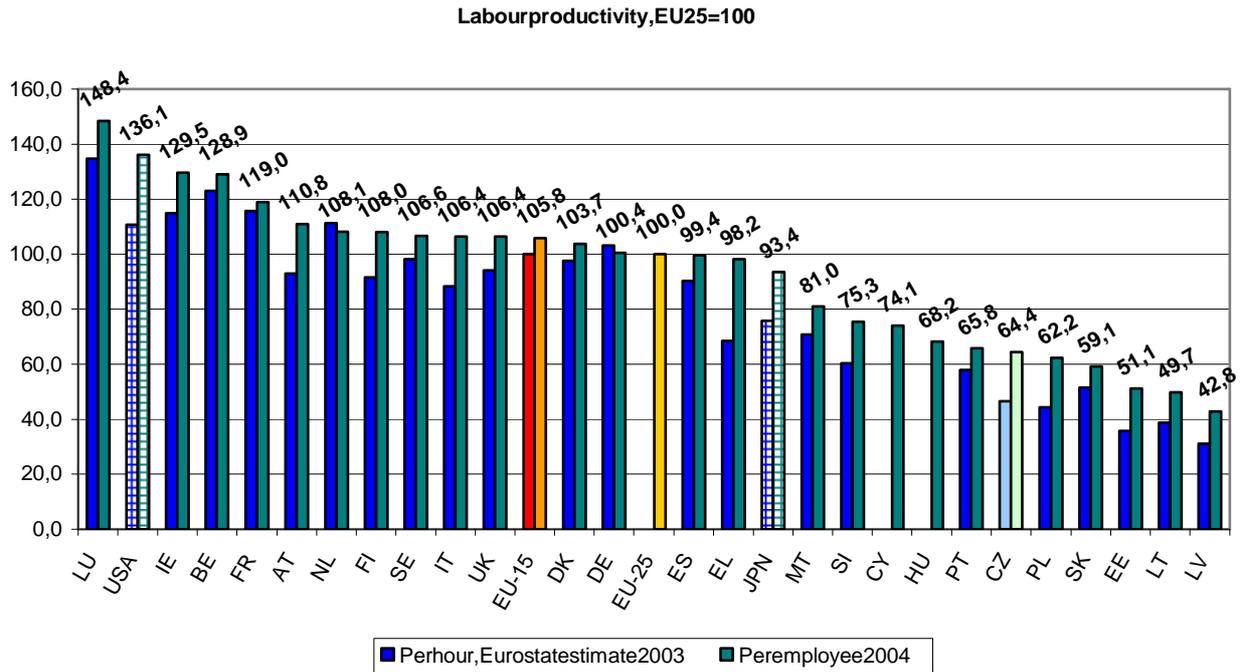
Diagram 1: GDP per capita in PPS, EU-25=100

### Economic performance, GDP/person in PPS, EU25=100



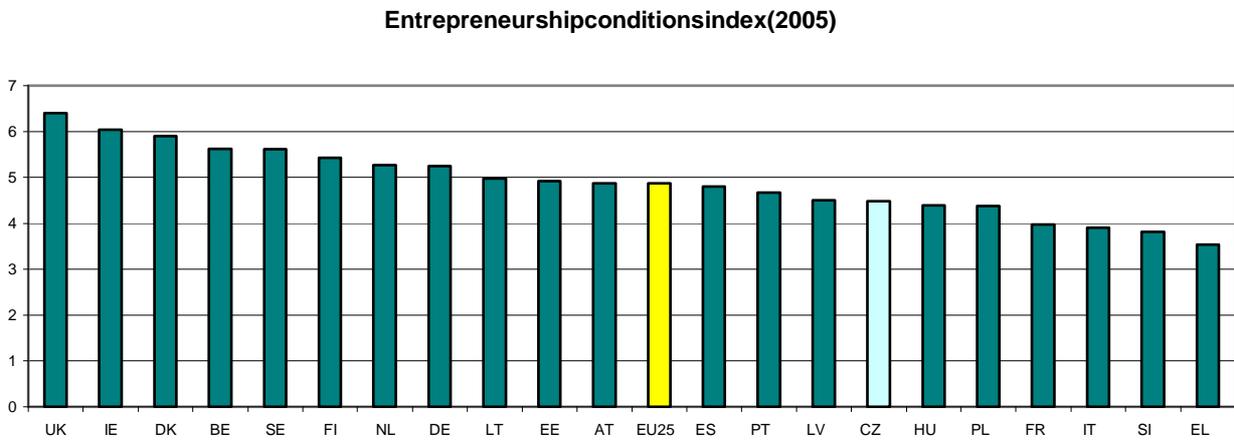
Source: Eurostat

Diagram2:Labourproductivity



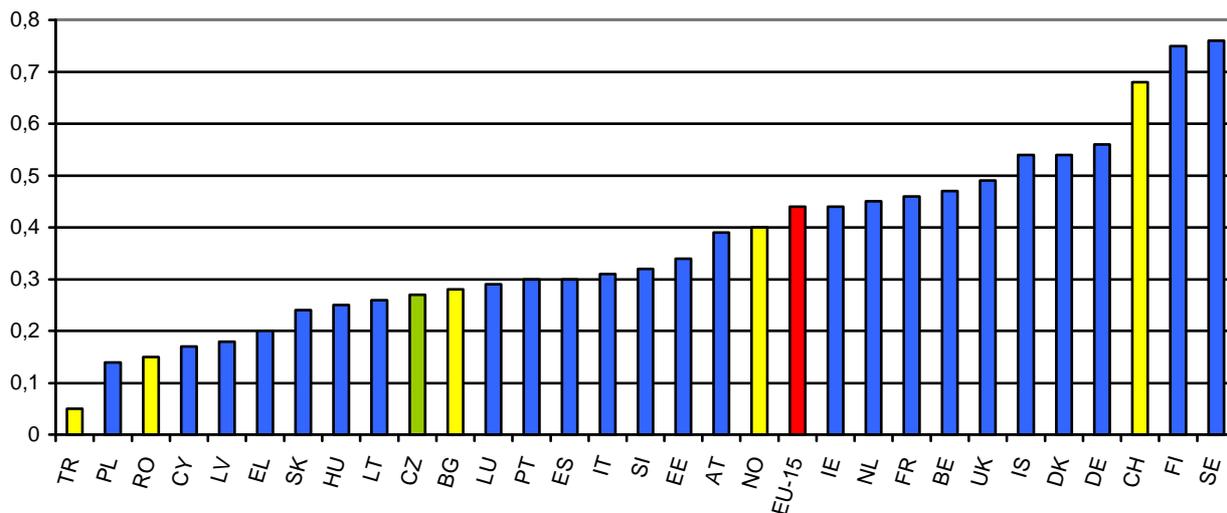
Source: Eurostat

Diagram3: Index of business conditions, 2005



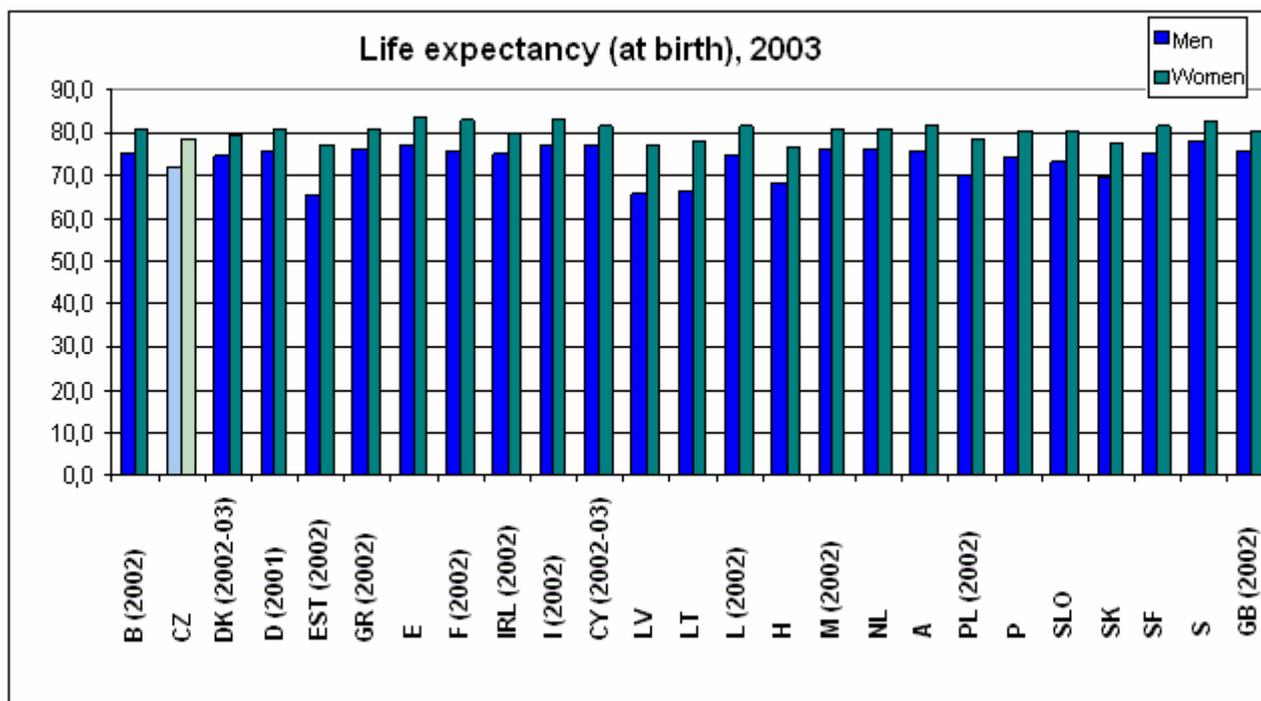
Source: WorldBank-DoingBusiness; the index measures the quality of environment for business activities (possibility to launch business activities, registration demands, regulation of the labour market, access to obtaining credit, protection of ownership rights, utilisation of licences, demands of tax payment and conclusion of international business contracts).

**Diagram4:Overallinnovationindexandpositionof theindividualstates**



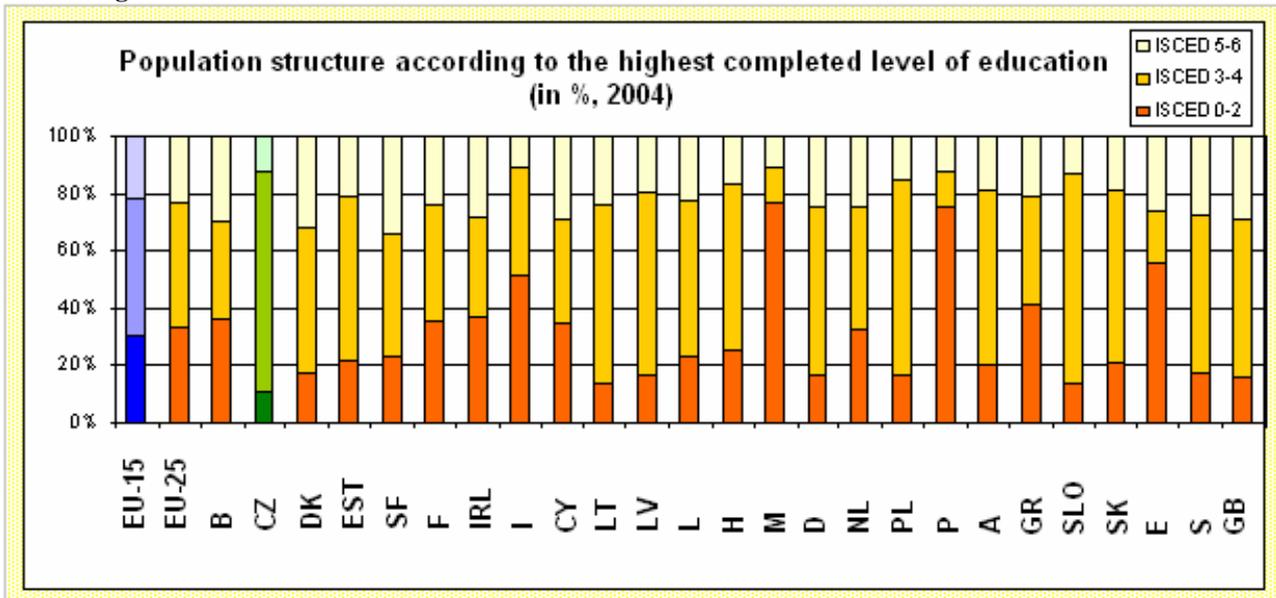
Source:NIP2005,Annex

**Diagram5:Lifeexpectancy(atbirth),2003**



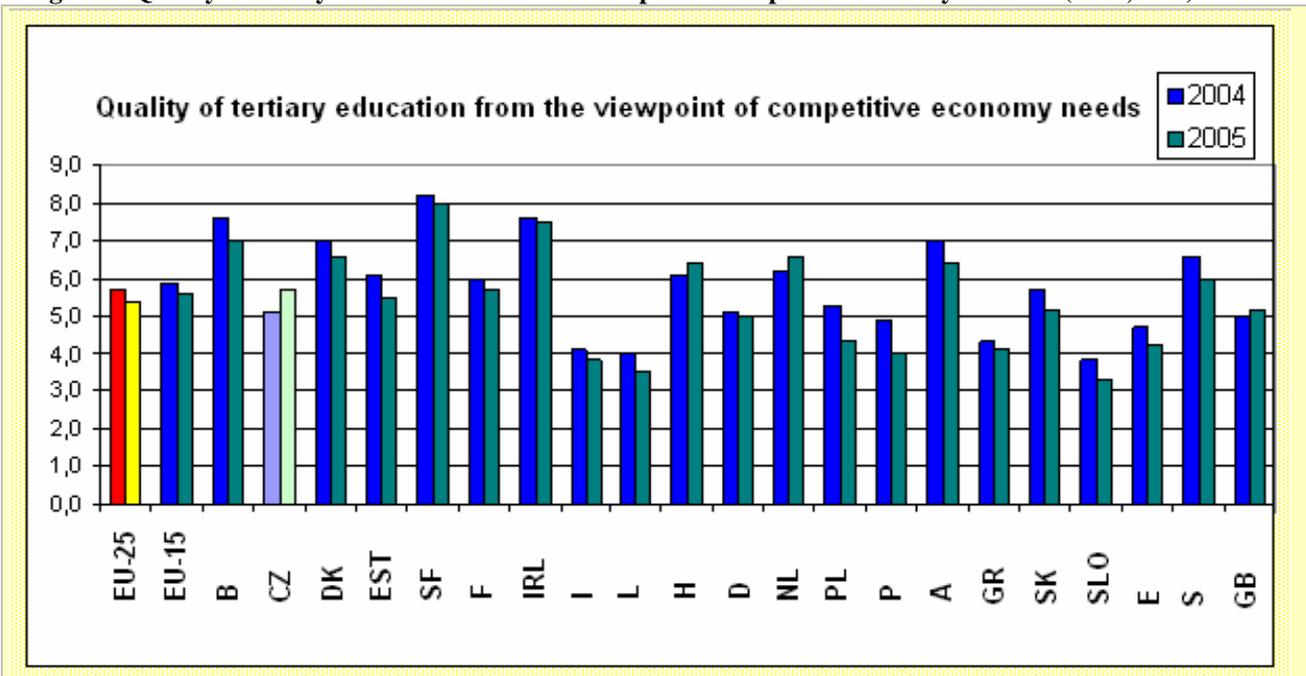
Source:CSO,2005

**Diagram6:Populationstructureinages25-64accordingtothehighestcompletedlevelofeducation(in%,2004)**<sup>46</sup>



Source: Czesaná, V., Kadeřábková, A., Špěváček, V. et al.: Competitiveness Observatory of the Czech Republic, 2005.

**Diagram7:Qualityoftertiaryeducationfromtheviewpointofcompetitiveeconomyneeds**<sup>47</sup>(2004,2005)

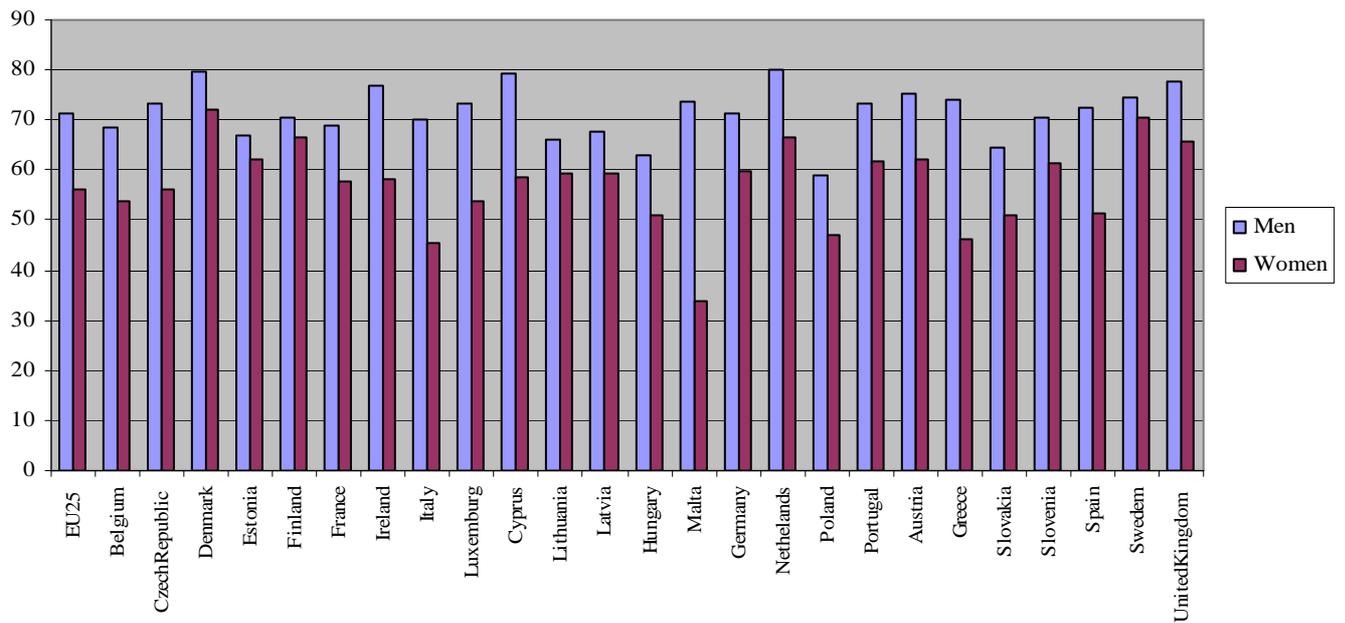


Source: Czesaná, V., Kadeřábková, A., Špěváček, V. et al.: Competitiveness Observatory of the Czech Republic, 2005.

<sup>46</sup> ISCED97 - International standard classification of education as of 1997, which was elaborated by UNESCO and which distinguishes 7 education levels (ISCED 0-6). ISCED 0-2, i.e. population without education (ISCED 0), or with only primary education (ISCED 1), or lower secondary education (ISCED 2). ISCED 3-4, i.e. population with higher secondary education (ISCED 3), or post-secondary extended education (ISCED 4). ISCED 5-6, i.e. population with completed tertiary education.

<sup>47</sup> The question of the quality of tertiary education in individual countries is addressed in the International Competitiveness Observatory issued by the Swiss International Institute for Management Development - IIMD. The quality of university education is evaluated in this Observatory on the basis of questionnaire survey, in which four thousand respondents, constituting typical representatives from each of ca 60 evaluated countries, take part.

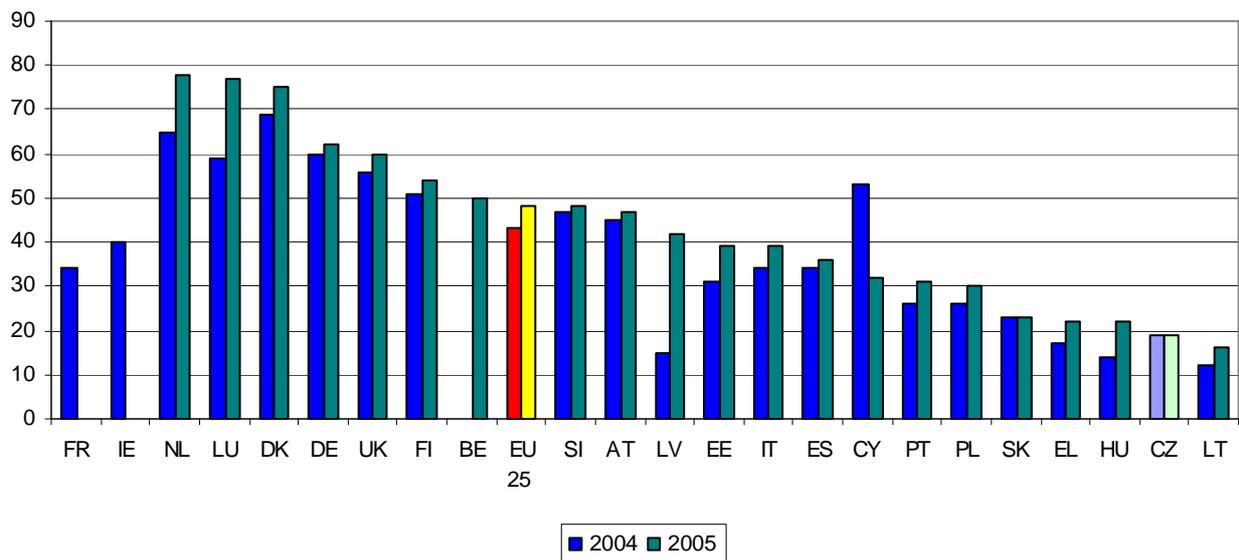
**Diagram8:Labour-forceparticipationrateintheEU countriesin%oftheworkingagepopulation,200 4**



Source:CSO

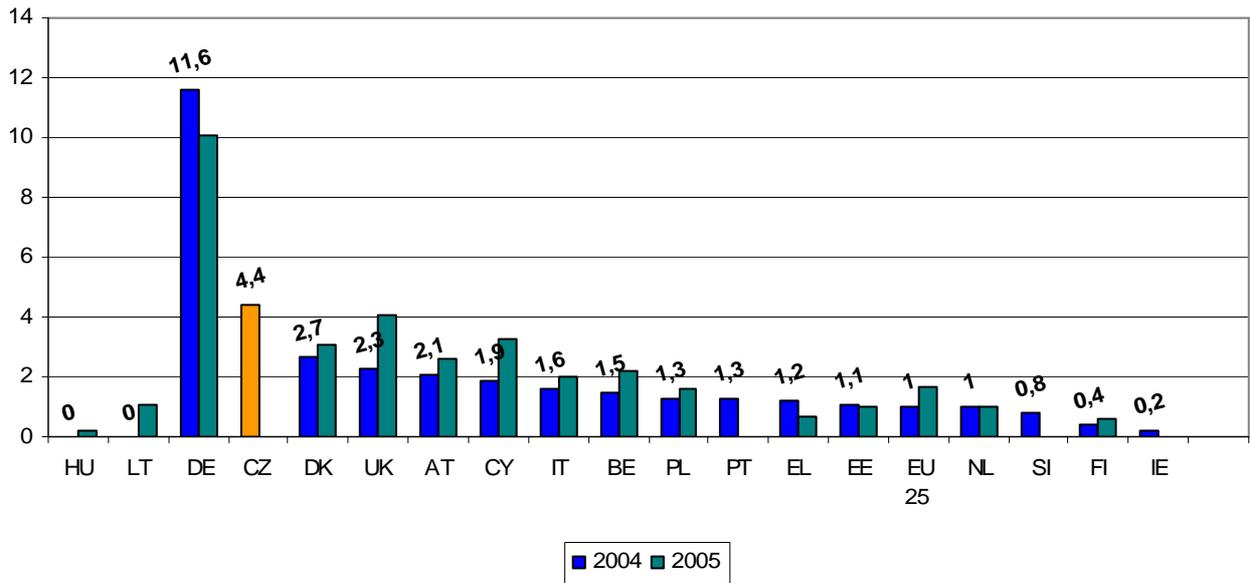
**Diagram9:AccessofhouseholdstotheInternet(ratioofhouseholds in%)**

AccessofhouseholdstotheInternet (ratioofhouseholds in%)



Source:Eurostat

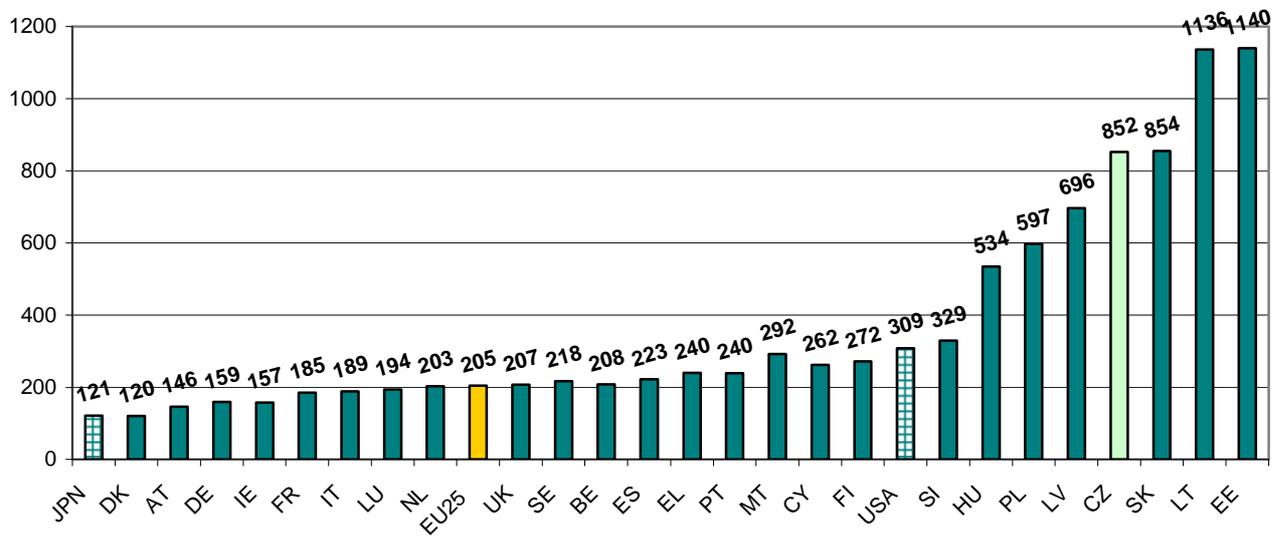
Diagram10:E-Business,shareintotalturnoverof firms-2004,2005



Source:Eurostat

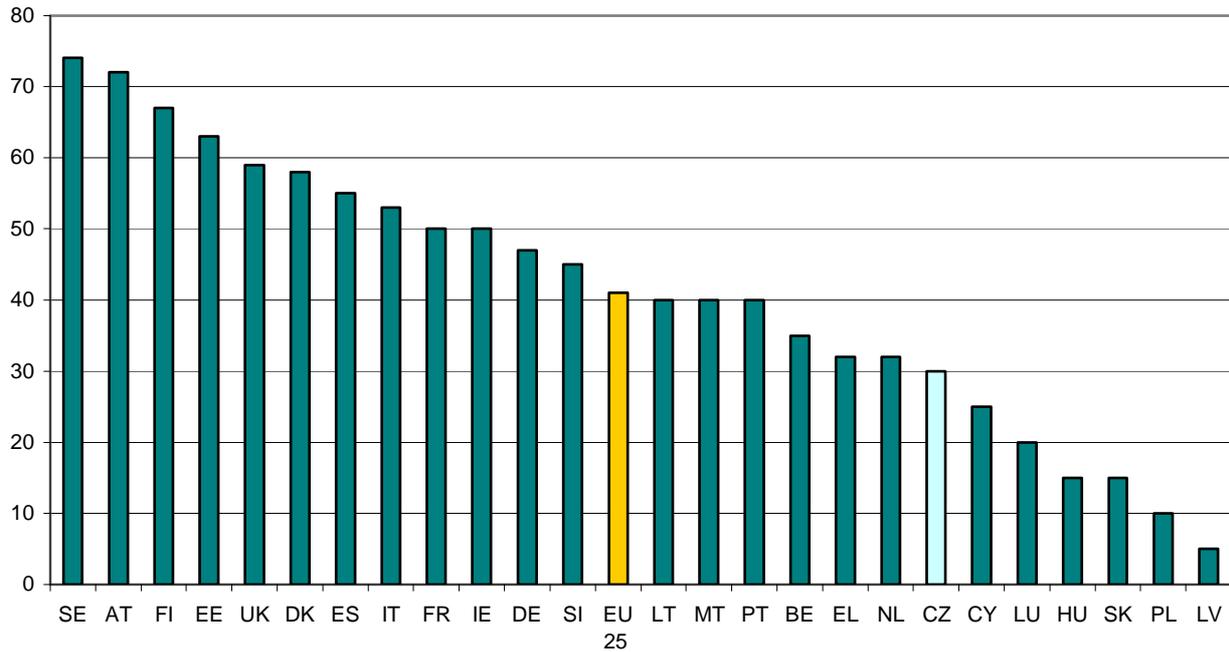
Diagram11:Energyintensityofeconomy(grossenergyconsumption/GDP),2004

Energyintensityoftheeconomy(2004)  
(grossenergyconsumption/GDP,kgoe/1000EUR)



Source:Eurostat

Diagram12:eGovernment,availabilityoftwentybas icservicesontheInternet(2004)



Source:Eurostat

### E.Maps

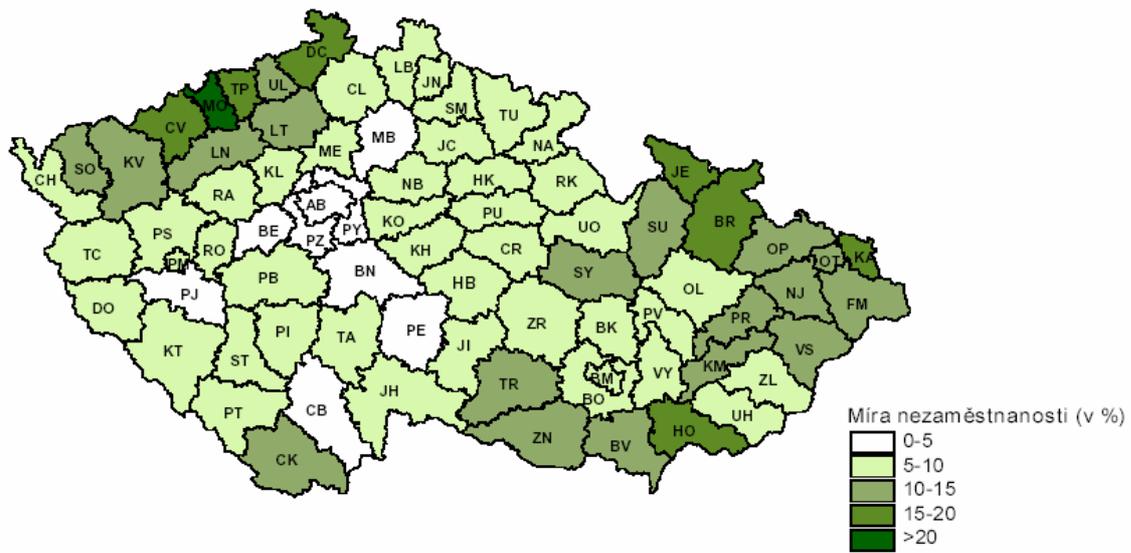
Map1:Networkofmotorwaysandexpresswaysinthe CzechRepublic(2007)



Source:www.rsd.cz



Map3:UnemploymentRateinCRperNUTS4Regions( 31/12/2005)



Source:MoLSA

## List of acronyms

AA	–Audit authority	
CF	–Cohesion Fund	
CR	–Czech Republic	
CSF	–Community Support Framework	
CSG	–Community Strategic Guidelines on Cohesion	
CSO	–Czech Statistical Office	
CZK	–Czech crown	
EAFRD	–European Agricultural Fund for Rural Development	
EBN	–European Business and Innovation Centre Network	
EC	–European Communities	
EEC	–European Economic Community	
EFF	–European Fisheries Fund	
EIB	–European Investment Bank	
EIF	–European Investment Fund	
EIS	–European Innovation Scoreboard	
ERDF	–European Regional Development Fund	
ESF	–European Social Fund	
EU	–European Union	
EUR	–euro, €	
FDI	–Foreign Direct Investments	
GDP	–Gross Domestic Product	
ICT	–Information and Communication Technologies	
IE	–inhabitant equivalent	
IOP	–Integrated Operational Programme	
IPCC	–Inter Governmental Panel on Climate Change	
IRS	–Integrated Rescue System	
ISCED97	–International Standard Classification of Education of 1997, UNESCO	
IUDP	–Integrated Urban Development Plan	
JROP	–Joint Regional Operational Programme	
LFSS	–labour force sample survey	
MA	–Managing Authority	
MCC	–Management and Co-ordination Committee	
MIT	–Ministry of Industry and Trade	
MoA	–Ministry of Agriculture	
MoC	–Ministry of Culture	
MoE	–Ministry of Environment	
MoEYS	–Ministry of Education, Youth and Sports	
MoF	–Ministry of Finance	
MoH	–Ministry of Health	
MoIT	–Ministry of Informatics	
MoI	–Ministry of Interior	
MoLSA	–Ministry of Labour and Social Affairs	
MoT	–Ministry of Transport	
MRD	–Ministry for Regional Development	
CZ-NACE	–Industrial Classification of Economic Activities	
NCA	–National Co-ordination Authority	
NCPF	–National Cohesion Policy Framework	
NDP	–National Development Plan	

NGO–Non-Governmentorganisation  
 NRP–NationalReformProgrammeoftheCR,National LisbonProgramme2005-2008  
 NSRF–NationalStrategicReferenceFramework  
 NUTS–NomenclatureofTerritorialUnitsforStatistics  
 NUTSII–intheCRcohesionregions  
 NUTSIII–intheCR"okraj"  
 OP–OperationalProgramme  
 OPE–OperationalProgrammeEnvironment  
 OPEC–OperationalProgrammeEducationforCompetitiveness  
 OPHRD–OperationalProgrammeHumanResourcesDevelopment  
 OPHRE–OperationalProgrammeHumanResourcesand Employment  
 OPI–OperationalProgrammeInfrastructure  
 OPIE–OperationalProgrammeIndustryandEnterprises  
 OPPA–OperationalProgrammePragueAdaptability  
 OPPC–OperationalProgrammePragueCompetitiveness  
 OPEI–OperationalProgrammeEnterpriseandInnovations  
 OPR&DI–OperationalProgrammeResearchandDevelopmentforInnovations  
 OPRDMA–OperationalProgrammeRuralDevelopmentandMultifunctionalAgriculture  
 OPT–OperationalProgrammeTransport  
 OPTA–OperationalProgrammeTechnicalAssistance  
 PCA–PayingandCertifyingAuthority  
 PE–PopulationEquivalents  
 PPP–PublicPrivatePartnership  
 PPS–PurchasingPowerStandards  
 R&D–researchanddevelopment  
 RCE–RegionalCompetitivenessandEmployment  
 ROP–regionaloperationalprogramme  
 SEA–StrategicEnvironmentalAssessment  
 SF–StructuralFunds  
 SII–overallindexofinnovation  
 SMEs–small-andmedium-sizedenterprises(individuals,companies)  
 STP–scienceandtechnologyparks  
 TEN-T-Trans-EuropeanNetworkforTransport  
 TIA–TerritorialImpactAssessment  
 WTP–Watertreatmentplant