

Position of the Czech Republic in the gaining from EU funds among countries of EU

Diploma Thesis

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Brno 2016

Acknowledgement

I would like to thank my supervisor Ing. Bc. Jana Mikušová, Ph.D. for supervising my diploma thesis. She kindly supported me with her professional guidance, notes and constructive criticism during elaborating this diploma thesis. I would like to thank also to the Embassy of the Czech Republic in Vienna for their wise advices and enthusiastic support.

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In Brno, 22nd of May 2016

Abstract

PÁSEK, TOMÁŠ, Bc. *Position of the Czech Republic in the gaining from EU funds among countries of EU. Master thesis.* Brno: Mendel University in Brno, 2016. Diploma thesis deals with the topic of drawing of financial resources from European funds in the Czech Republic, Slovakia and Estonia. It focuses on programming period 2007-2013, which is together with the Cohesion policy presented in the literature review. The part of results contains quantitative and system analysis of financial drawing from EU resources with the orientation on operational programmes for environment. The goal of this work is to evaluate the position of the Czech Republic in gaining from EU funds in 2007-2013 and to propose recommendation on improvement of current situation in following periods.

Keywords

Subsidy, Structural Funds, Cohesion Policy, Programming period 2007-2013

Abstrakt

PÁSEK, TOMÁŠ, Bc. *Porovnání čerpání finančních prostředků z fondů EU mezi vybrannými zeměmi.* Diplomová práce. Brno: Mendelova univerzita v Brně, 2016. Diplomová práce se věnuje problematice čerpání finančních prostředků z fondů Evropské Unie v České republice, Slovensku a Estonsku. Práce se blíže zaměřuje na programové období 2007-2013, které je spolu s kohézní politikou Evropské unie představeno v teoretické části práce. Praktická část práce obsahuje kvantitativní a systémovou analýzu čerpání dotací z EU se zaměřením na operační programy, věnující se životnímu prostředí. Výstupem práce je zhodnocení pozice České Republiky v programovém období 2007-2013 a následné navržení doporučení ke zlepšení této pozice.

Klíčová slova

dotace, strukturální fondy, kohézní politika, programové období 2007-2013

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1 Introduction and Goal of the Work

1.1 Introduction

European Union represents political, economic and highly interconnected group of countries, which share similar goals and aims regarding the development in Europe. Since there is nowadays 28 members, there are also various differences between regions of EU. The Cohesion policy of the union focus on these differences and struggle for reducing them, in order strengthen the unity of European economies and to ensure their harmonious development. This policy belongs to one of the most important one in EU, and it focus on the poorest regions of Europe.

Since the Czech Republic is a member of the union, and belongs to the poorest regions, we are able to draw the resources from the funds of Cohesion policy. EU co-financing has become an essential factor for our development. The funding from EU is however bonded with strict rules, which have to be followed. Each member states needs to administrate and control each operational programme.

The Czech Republic entered the EU in 2004, which was in the middle of the programming period 2000-2006, therefore we were able to request the funding only in the shortened period 2004-2006. However due to the principle of $n+2$, the Czech Republic could draw funds up to year 2008.

In 2007 new programming period started and the Czech Republic was able to fully use the whole period for funding. During the programming period 2007 - 2014 Czech newspaper media informed the public, that we are not able to draw the funds efficiently and that the Czech Republic belongs to the worst gaining countries in the European Union. There were also some bright moments, when the Czech Republic was evaluated as successful country, but the negative feeling about the Czech funding remained (at least from my point of view).

Since the programming period 2007-2013 comes to an end due above mentioned principle $n+2$, the analysis of gaining the funds seems to be topical issue.

1.2 Goal of the Work

The main goal of diploma thesis is to answer the question, what is the position of the Czech Republic in gaining from EU funds among CEE countries Slovakia and Estonia. To successfully answer this question it is important to firstly describe the background of programming period 2007-2013. We get the partial goals by decomposition of the main goal. The first partial goal is to analyze the operational programmes for environment of selected countries and to compare it with the operational programme Environment of the Czech Republic. From this analysis and comparison, it will be determined the crucial factors, which are behind the problems with gaining the EU funds, and proposed possible improvements of obtaining the regional funds.

2 Methodology

The diploma thesis constitutes the main theoretical base for application of results into reality. In order to successfully accomplish the set targets it is essential to lay the theoretical foundations of topic examined in the first place. Data will be collected mainly from official webpages of European Union primarily from the official bulletin. The beginning of this thesis will focus on Cohesion policy of European Union. Several definitions of Cohesion policy together with its purpose will be introduced. Further the key strategic programming documents, which are necessary for programming period will be introduced. Since the documents are not enough for funding, it is essential to describe also the tools of Cohesion policy, thus how the regional policy funding is distributed. In this part most important European funds together with their goals and objectives will be introduced. Diploma thesis compares three chosen countries of Central and Eastern Europe – Czech Republic, Slovakia and Estonia. Therefore it is necessary to briefly introduce the common history and facts about CEE states. The next are of interest is the programming period 2007-2013. Firstly the Czech programming period will be described and followed by Slovakian and Estonia. All of these descriptions will cover the characterization of NUTS regions, distribution of EU funds according to the objective with comparison of total allocation of the European Union. Essential part will be also introduction of operational programmes and official authorities of the chosen countries. After that the theoretical part will finish with the detailed description of procedure of obtaining a subsidy. This procedure will be divided into individual parts, according to the steps of financial drawing scheme. Last term, which will be the introduction of N+2/N+3 rule.

After that diploma thesis will continue with the second main part and that is the part of results. In the beginning the quantitative analysis will be executed. In the quantitative analysis firstly the main factors of comparison will be identified so that the evaluation of financial drawing among the Czech Republic, Slovakia and Estonia may be performed. The evaluation will start with the comparison of overall funding and continue with the comparison of absorption rates among Czech Republic, Estonia and Slovakia and also within the Czech Republic. The analysis of absorption rates for the Czech Republic will be based on the source of funding. Since the Czech Republic has its own national currency, the thesis will present all the figures from the Czech Republic in EUR. For this reason, all the CZK figures will be converted to EUR with exchange rate 27 CZK/EUR. Quantitative analysis will further focus on chosen operational programmes Environment in Czech Republic and Slovakia and in case of Estonia Operational programme for Development of Living Environment. The aim and objectives together with interventions areas will be presented. The part of operational programmes will cover also exact distribution of total allocation and the most actual figures of funding, which will be compared.

System analysis will focus on potential sources of problems in funding during programming period 2007-2013 in the Czech Republic, with comparison of Slovakia and Estonia. The analysis will be enriched with personal experience of the author during his internship on the Embassy of the Czech Republic and presence on the meetings of preparation of cross-border cooperation within EU funding. This first part of system analysis will introduce the timeline, thus a schedule how essential strategic documents and operational programmes were approved and when the first calls of operational programme were announced. Timeline of programming period 2007-2013 will analyze the relevant dates of submission and approval of programming documents. Possible imperfection will be appropriately justified.

System analysis will further focus on key factors, which influence the drawing from EU funds. Administrative capacity, Transparency, Management and controls and Financial corrections will be analyzed and compared (where possible) among the Czech Republic, Estonia and Slovakia. These factors together with the previous quantitative analysis will be commented in the part of Evaluation of the analysis, which should answer the main question, what is the position of the Czech Republic in gaining from EU funds in programming period 2007-2013 among the chosen countries. From this evaluation, the areas of possible improvement will be proposed and evaluated. These improvements should increase the position of the Czech Republic in acquiring of financial resources from EU.

The thesis will be closed with the conclusion and discussion of acquired results.

3 Literature Review

3.1 Cohesion policy of EU

The Cohesion policy has its origin in the Treaty of Rome (1957), where in a preamble mentioned the necessity to *“strengthen the unity of their economies and to ensure their harmonious development by reducing the differences existing between the various regions and the backwardness of the less favored regions”*.

Similar aim has also a Treaty of Lisbon from 2010, where article 174 says: *“In order to promote its overall harmonious development, the Union shall develop and pursue its actions leading to the strengthening of its economic, social and territorial cohesion. In particular, the Union shall aim at reducing disparities between the levels of development of the various regions and the backwardness of the least favored regions”*.

From the financial standpoint, Hooghe (1996, page 391) explains Cohesion policy of the European Union as *“an elaborate system of side-payments from governments in richer EU countries to those in poorer EU countries in exchange for the agreement of governments in poorer countries to intensified economic integration.”*

To conclude the definitions of Cohesion policy, the policy aims on reducing the disparities between EU regions, so balanced economic, social and territorial development is achievable and it is performing it by granting financial payments from richer to poorer regions.

NUTS classification

When the articles mention regions, we speak about so called NUTS regions, which were introduced by Eurostat, as a classification of territorial units for statistics. There are 3 primary levels of NUTS (Wokoun, 2008):

- NUTS 1: is the territorial unit of huge areas, major socio-economic regions (country, macro regions).
- NUTS 2: basic regions for the application of regional policies (areas).
- NUTS 3: small areas for specific diagnoses (regions).

In addition to above mentioned NUTS levels, there exist also two lower levels of territorial statistical subdivision. These are no longer decisive for the allocation of resources from EU funds.

3.1.1 Objectives of Cohesion Policy

The Cohesion policy has three main objectives: Convergence (former Objective 1 in programming period 2000-2006), Regional Competitiveness (former Objec-

tive 2) and Employment, and European Territorial Cooperation (former Objective 3). (Marek and Baun, 2009)

Convergence objective aims to help the least-developed Member States and regions, to improve conditions for employment and growth, in order to catch up more quickly the EU (European Commission, 2014a). This objective focus mostly on the poorest regions of EU with GDP per capita lower than 75 % of the EU average (EurActiv.com, 2012). The Czech Republic with an exception of Prague fall as a whole under Convergence objective. According to the European Commission (2014a) the areas of action are the *physical and human capital, innovation, knowledge-based society, adaptability to change, the environment and administrative effectiveness*. Convergence objective is financed by the Structural funds and the Cohesion Fund with given ceilings (European Commission, 2014a):

- 75 % of public expenditure co-financed by the European Regional Development Fund (ERDF) or the European Social Fund (ESF). The ceiling can be raised to 80 % where the eligible regions are located in a Member State covered by the Cohesion Fund, and even to 85 % in the case of the outermost regions;
- 85 % of public expenditure co-financed by the Cohesion Fund;
- 50 % of public expenditure co-financed in the outermost regions (a new additional allocation from the ERDF to compensate for excess costs).

Above mentioned Outermost regions are the most remote regions of the EU such as Guadeloupe, French Guiana or for example the Canary Islands (Spain). This support is a compensation for the constraints, which arise from the geographical remoteness of these territories. (European Parliament, 2015)

The total resources, which were allocated to this objective in programming period 2007-2013 amount to EUR 251.163 billion (81.54 % of total resources). (European Commission, 2014a)

Regional Competitiveness and Employment objective (15.95 % of Cohesion budget) focuses on those regions, which exceeds the 75 % GDP average of European Union. In the Czech Republic, we have only one region, which falls under this objective – the capital city Prague. Regional Competitiveness and Employment objective tries to strengthen the competitiveness, employment and attractiveness of regions by helping to anticipate economic and social changes. It also supports entrepreneurship and innovations, protection of the environment, accessibility, adaptability and the development of inclusive labor markets. This objective is financed by the ERDF and the ESF with ceiling of co-financing up to 50 % of public expenditure. The ceiling is increased to 85 % for outermost regions, which were already described in previous paragraph. (European Commission, 2014a)

European Territorial Cooperation (2.52 % of Cohesion budget) focuses on cross-border, transnational and inter-regional cooperation. This objective is based on old European INTERREG initiative and is financed from the ERDF.

According to the European Commission (2014) it works toward “the *common solutions for neighboring authorities in the fields of urban, rural and coastal development, the development of economic relations and the creation of networks of small and medium-sized enterprises (SMEs)*.” This cooperation should be based on research and development, information society, risk prevention, environment and integrated water management. Eligible regions for funding from this objective are those, which belong to NUTS 3, thus territories with 150000 to 800000 inhabitants. The whole Czech Republic, including Prague, is eligible to receive funding under this objective. (European Commission, 2014a)

3.1.2 Key strategic programming documents for Cohesion policy

Since the Czech Republic joined the European Union, it was necessary to unify and to create the programme and strategic documents regarding the Cohesion policy of the European Union. Czech legal documents are double-tracked, thus documents for Czech national support for regional development and documents for regional policies of European Union. (Marek and Kantor, 2007)

Among the key strategic programming documents belongs the Community Strategic Guidelines, National Development Plan and National Strategic Reference Framework.

Community Strategic Guidelines

Community strategic guidelines are an important part of Cohesion policy. They contain the principles and priorities above mentioned policy and suggest how the European regions might take full advantage of the cohesion budget, which is available for regional and national programmes the next seven years. On the basis of the strategic guidelines, the Member States draw up their national strategic priorities and planning for next programming period, so called National Strategic Reference Frameworks (NSRFs). The procedure of acceptance of Community strategic guidelines is very time-consuming. (Inforegio, 2015)

National Development Plan

National development plan is a fundamental document, which defines the strategic orientation of a Member state in current programming period. In order to be able to receive any funding from EU, every state determines exact rules for drawing on financial support from the Structural and Cohesion fund. This document determines the goals and strategies, which are later used as a basis for the creation of priority axes and operational programmes. National development plan serves as a basis for negotiation of National Strategic Reference Framework. (Marek and Kantor, 2007)

National Strategic Reference Framework (NSRF)

National strategic reference Framework is set of programme documents and necessary institutional guarantees, which are necessary for procuring financial resources from EU funds. The Framework present development strategy on the state level and a reference tool for fund programming preparation. The analytical part contains the SWOT analysis, which identifies Member state's key strengths for improving its competitiveness and also problem areas and weaknesses that may be a hindrance to the sustainable development of the economy and society. Important role in creation of NSRF has European commission, which is as a Guardian of Treaties, with their proposing, managing and enforcing power, an institution, who approves the National Strategic Reference Framework (Guéguen and Marissen, 2015). However the framework have to be in with strategic guidelines. NSRF serves as a bases for creation of operational programmes, it is a connection line between the European and domestic priorities. The Czech NSRF for programming period 2007-2013 was approved by the commission on 27 July 2007. (Marek and Kantor, 2007; Ministry of regional development, 2016A)

Operational programmes (OP)

Operational programmes are official documents, which were approved by the European Commission, they must contribute to the objectives and priorities both of the national strategic reference Framework and the Community strategic guidelines on cohesion. Operational programmes define what the issues Member states want to deal with are and what the Member state plan to achieve during the given programming period. They ensure that the projects financed from the funds are not used randomly so that they are in-line with the strategic guidelines aiming on realizing of the goals of Cohesion policy. Operational programmes contain not just area of interventions and the programme's objectives, but also lists of potential applicants that can apply for aid. Every programme has given

Responsibility of control and management of operational programmes is given to the Member states. They have to continuously prevent, detect and correct irregularities in funding and recover amounts, which were unduly paid. Every programme has a managing, certifying and audit authority. (European Commission, 2014a)

The following picture shows the placement of Operational programmes in the strategic documents.

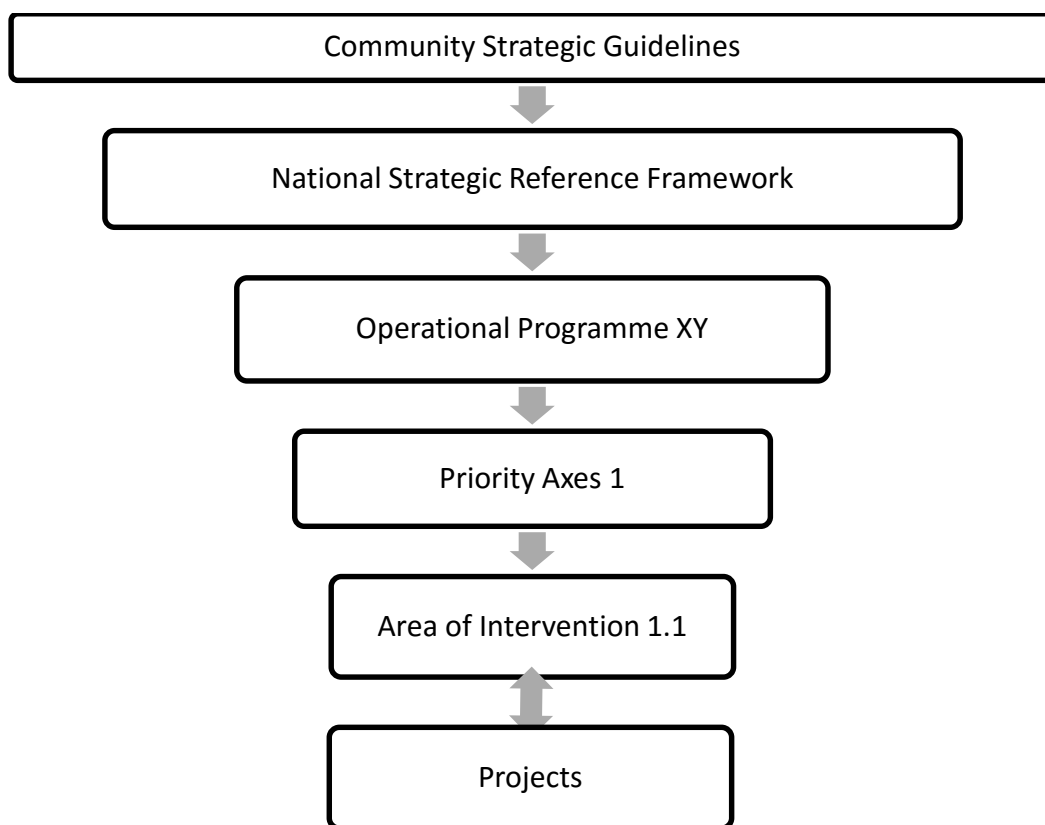


Fig. 1 Key strategic programming documents for Cohesion policy
Data source: European Commission, 2013, edited by author

Every Member state has to designate for each operational programme a managing authority, a certifying authority and a functionally independent auditing authority. States can also create intermediate bodies which can carry out certain tasks of the managing authority or the certifying authority. (European Commission, 2013)

The Cohesion policy is reviewed every 7 years. It starts with the Council's adoption of Community strategic guidelines for Cohesion, where the Council defines the priorities and objectives of the cohesion policy for the given programming period. The strategic guidelines after 2007 had two objectives. The first is to strengthen the strategic dimension of cohesion policy in order to ensure that Community priorities will be better integrated into the development programmes (both national and regional). The second objective is to ensure better ownership of cohesion policy on the ground. This should be reflected in a reinforced dialogue in the partnerships of the Commission, the Member States and the regions. It should also lead to more transparent division of responsibilities between the Commission, Member States and the Parliament. (European Commission, 2007)

Strategic guidelines for 2007-2013 focus on improving the knowledge and innovation, creating more and better jobs, making Europe and its regions more

attractive for investing and working and it should take into account the territorial dimension of cohesion policy. (European Commission, 2007)

3.1.3 Tools of the Cohesion policy

During programming period 2007-2013 the Cohesion policy disposed of a budget of EUR 308.041 billion, which were redistributed through the regional policy funding. The scheme of this funding is shown in the following picture n.2.

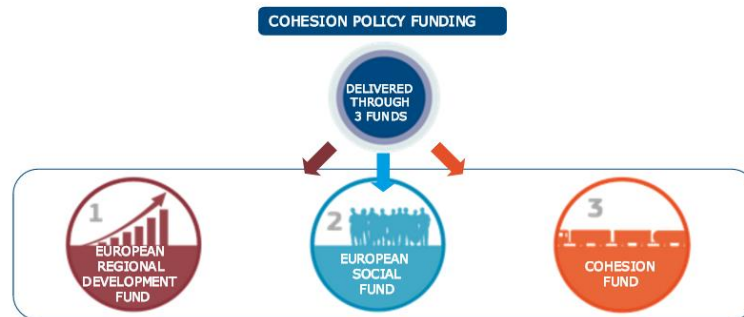


Fig. 2 Cohesion policy funding scheme
Source: European Commission, 2014

We can see, that the funding is distributed through three funds - European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Cohesion Fund. ERDF and ESF together form so called Structural funds.

European Regional Development Fund (ERDF)

ERDF is the most important fund with highest amount of resources. It focuses its assistance on several thematic priorities under the above mention objectives. Under **Convergence objective** it aims on supporting sustainable integrated economic development and the creation of sustainable jobs. Operational programmes of Member states focus on modernizing and diversifying regional economic structures, especially in following areas (European Commission, 2010):

- *research and technological development (R&TD), innovation and entrepreneurship;*
- *information society;*
- *environment;*
- *risk prevention;*
- *tourism;*
- *investment in culture*
- *investment in transport;*
- *energy;*
- *investment in education;*

- *investment in health and social infrastructures;*
- *direct assistance for investment in SMEs.*

ERDF under **Regional competitiveness and employment** objective take care about funding of three main fields. First field is innovation and the knowledge economy, which includes the improvement of regional R&TD and innovation capacities, entrepreneurship and also formation of new financial instruments for companies. Second field is environment and risk prevention, which covers restoring contaminated lands, fostering energy efficiency, promotion of usage of clean technology in public transport, formulation of plans to anticipating and managing natural and technology-related risks. The third area is the access to transport and telecommunications services with general economic interest. That stand especially for improving of secondary networks and fostering access to ICT (information and communication technologies) for small and medium enterprises. (European Commission, 2010)

Last but not least is funding under **European territorial cooperation objective**, which has also three target areas (European Commission, 2010):

- *development of cross-border economic, social and environmental activities through joint strategies for sustainable territorial development. This involves, for example, encouraging entrepreneurship, protection and management of natural and cultural resources, and the development of collaboration, capacities and the joint use of infrastructures;*
- *establishing and developing transnational cooperation, including bilateral cooperation between maritime regions. The priorities are innovation, the environment, better accessibility and sustainable urban development;*
- *reinforcing the effectiveness of regional policy by encouraging regional and local authorities to form networks and exchange experience.*

Projects under this objective must include beneficiaries in at least two countries and to be acting jointly in at least two out of four fields: staffing, financing, implementation and development. The regulation mentions other criteria for getting the funding under the European territorial cooperation objective, however these are not necessary for this thesis.

The ERDF takes special care of the specific nature of areas. Its actions aim to solve the economic, environmental and social problems of towns and cities. ERDF assist in areas with natural handicaps with financing of investment in the improvement of accessibility, economic activities connected to cultural heritage, the sustainable use of resources and development of tourism.

ERDF also helps to finance additional costs connected to the geographical position of the outermost regions through subsidizing of freight transport services, the start-up of transport services and operations linked to storage constraints. ERDF also subsidizes the maintenance of production tools, and lack of human capital in the local market. (European Commission, 2010)

European Social Fund (ESF)

European social fund supports the policies of Member state, which focus on reaching full employment, reducing the employment disparities on national, regional and local level, increasing the quality and productivity at work and promoting social inclusion – mostly providing the access of disadvantaged people to work. ESF foster the actions under the framework of the Convergence and Regional Competitiveness and Employment objectives with priorities (European Commission, 2010a):

- *increasing adaptability of workers, enterprises and entrepreneurs with a view to improving the anticipation and positive management of economic change;*
- *enhancing access to employment and the sustainable inclusion in the labor market of job seekers and inactive people;*
- *preventing unemployment, in particular long-term and youth unemployment;*
- *encouraging active ageing and longer working lives;*
- *increasing participation in the labor market;*
- *reinforcing the social inclusion of disadvantaged people with a view to their sustainable integration in employment;*
- *combating all forms of discrimination in the labor market;*
- *enhancing and increasing human capital;*
- *promoting partnerships.*

Among other priorities of European social fund are those, which bring more investment in human capital, including reforms in education and training systems, lifelong education and development of human potential in the area of innovation and research. (Kolektiv, 2007)

All the actions supported by the ESF should be in accordance with European Employment Strategy, which is nowadays part of Europe 2020 strategy, it sets common objectives and targets for employment policy. (European Commission, 2016)

Cohesion Fund

The Cohesion fund finances actions regarding the environment and trans-European transport networks (mostly the priority projects of European interest). Actions should strengthen economic and social cohesion of EU with and to promote sustainable development. In comparison with Structural funds, Cohesion fund is used for direct financing of specific projects. Member states can ask for resources from this fund only if their GNP per capita does not reach 90 % of average in EU and if the member state has already approved convergence programme. (Kolektiv, 2007)

Not every author likes the Cohesion fund. For example König (2012) would like to abolish the fund. His paper further proposes reform on which of the regions and countries should be able to receive any resources and which may be marked as poor ones.

3.1.4 Other European Funds

Since policies of rural development and fisheries are no longer a part of Cohesion policy, it is necessary to introduce them separately.

European Agricultural Fund for Rural Development (EAFRD)

The EAFRD fund complements national, regional and local actions, which contribute to Community priorities. The fund aims on improving the competitiveness of agriculture and forestry, the environment and the countryside and also the quality of life in rural areas. (European Commission, 2012)

European Fisheries Fund (EFF)

EFF funds the fishing industry and coastal communities in order to help them to adapt to changing conditions in this sector and to become ecologically sustainable and economically resistant. Funding is available for all sectors of the fishing industry, including sea and inland fishing, aquaculture (e.g. the farming of fish, or aquatic plants), processing and propagation of fisheries products. Projects are funded through the strategic plans and operational programmes of national authorities. (European Commission, 2015a)

European Union Solidarity Fund (EUSF)

EUSF was created to respond to major natural disasters and express European solidarity to disaster-stricken regions within Europe. A natural disaster is called major if it results in direct damage in the amount over EUR 3 billion (2011 prices) or more than 0.6 % of the gross national income of the affected state. Second possibility is to receive a fund through the Regional natural disaster, which is any natural disaster in a NUTS 2 region that cause direct damage in excess of 1.5 % of that region's GDP. (European Parliament, 2015a)

There may be also exceptions for example the Czech Republic received an aid for flood damage in 2010, however the flood's direct damage was calculated "only" to 436.5 million EUR (below the (0.6 % of gross national income, 824 million EUR in the case of the Czech Republic). The Czech Republic received in this case received the aid under the exceptional provision in the EUSF Regulation for "extraordinary regional disasters". (European Commission, 2011)

Instrument for Pre-accession Assistance

IPA helps the enlargement countries to make political and economic reforms, so the countries can prepare themselves for the rights and obligations that come with EU membership. It provides financial assistance within five channels - transition assistance and institution building, cross-border cooperation (CBC), regional development, human resource development and rural development. (European Commission, 2016a)

3.2 Central and Eastern European Countries

According to the Organization for Economic Co-operation and Development the CEECs (Central and Eastern European Countries) is a group of countries comprising of Albania, Bulgaria, Croatia, the Czech Republic, Hungary, Poland, Romania, the Slovak Republic, Slovenia, and the three Baltic States: Estonia, Latvia and Lithuania. (OECD Glossary of statistical terms, 2001)

These countries are part of Central, Southeast, Northern and Eastern Europe, which was highly impacted by era of communism till the collapse of Iron Curtain in 1989-1890. The CEE countries formed so called Eastern bloc.

Nowadays 11 of CEE countries are part of the European Union. The first eight countries entered the EU in 2004, it was Estonia, Latvia, Lithuania, Czech Republic, Slovakia, Poland, Hungary and Slovenia. In 2007 also Romania and Bulgaria joined the European Union and on the 7th of July 2013 also Croatia become part of the union. The only country, which has not entered the union is Albania, which is nowadays considered as an official candidate for accession to EU.

This thesis will focus on three chosen countries: Czech Republic, Slovak Republic and Estonia. Slovakia was chosen due to the fact, that our countries share long common history. The Czech Republic and Slovakia were one country, one economy till the 31st of December 1992. After that countries developed themselves separately, therefore it may be interesting to compare the funding from EU in these nowadays independent countries. Estonia was selected based on their excellent results in funding over the last programming period. Estonia belongs to the most successful countries in drawing the European funds (DVS.cz, 2010).

In following chapters NUTS regions and programming periods of mentioned countries will be in detail described.

3.3 Programming period 2007-2013 in the Czech Republic

The division of the Czech Republic into NUTS regions shows the following picture.



Fig. 3 CZ-NUTS

Source: Ministry of regional development, 2016

NUTS 1 region is the Czech Republic as a state. NUTS 2 regions, or so called cohesion regions are Northwest (Severozápad), Northeast (Severovýchod), Southeast (Jihovýchod), Southwest (Jihozápad), Central Bohemia (Střední Čechy), Central Moravia (Střední Morava), Moravia-Silesia (Moravskoslezsko) and directed Capital City of Prague. NUTS 3 consist 14 former regions of the Czech Republic.

The Czech Republic has also two lower levels territorial statistical subdivision. It is Local administrative units 1 (LAU 1), which covers 76 districts + 15 Prague city districts and Local administrative units 2 (LAU 2) with municipalities. (Ministry of regional development, 2016)

Programming period 2007-2013 was divided into twenty six operational programmes. These were further separated into eight thematic operational programmes and seven regional operational programmes. (Chvojková and Květoň, 2007)

Total 26.68 billion EUR were available during this programming period for funding under three EU objectives – Convergence, Regional Competitiveness and Employment Objective and European Territorial Cooperation Objective. This amount was the third highest among all member states and the highest in terms of per capita (Marek and Baun, 2010).

Detailed distribution of total resources is shown in following table. Table divides total allocated resources into separated objectives and further to the funds of EU, which were described in the previous chapters.

Tab. 1 Distribution of EU funds in Czech Republic (billion EUR)

Objective	Fund	EU	National	Total
Convergence	CF	8.8	1.5	10.3
	ERDF	13.4	2.3	15.8
	ESF	3.6	0.6	4.2
Total Convergence		25.8		
Regional competitiveness and employment	ERDF	0.3	0.04	0.3
	ESF	0.2	0.02	0.2
Total RCE		0.5		
Total European Territorial Cooperation	ERDF	0.4	-	0.4
Total		26.7	4.6	31.3

Data source: European Commission, 2009; edited by author

The Czech Republic was able to draw in programming period 2007-2013 26.7 billion EUR in total, where 25.8 billion fell under Convergence objective, 0.5 billion under Regional competitiveness and 0.4 EUR under European Territorial Cooperation. The only region, which falls under the Regional competitiveness and employment objective is Prague, the remaining regions - Central Bohemia, Central Moravia, Moravia-Silesia, Southwest, Southeast, Northwest and North-east, fall under the Convergence Objective.

Most of the resources from EU belongs to ERDF fund with 14.1 billion EUR, 8.8 billion EUR were prepared for Cohesion fund and through the ESF the Czech Republic could receive up to 3.8 billion EUR.

National contribution was calculated to 4.6 billion EUR in total, where most of the resources were assigned to the ERDF fund (2.34 billion EUR). Every member states also contributes to the European Territorial cooperation, where minimal co-financing is 15 %. Contribution of the Czech Republic is already covered in 0.4 billion EUR from EU (European Commission, 2009).

These numbers may be further compared to the distribution of total allocation according to the objective in whole European Union.

Tab. 2 Distribution of EU funds in Czech Republic and EU (billion EUR)

Objective	Funds for the EU27		Funds for the Czech Republic	
Convergence	283	81.54 %	25.8	96.98 %
Regional competitiveness and employment	54.96	15.95 %	0.5	1.56%
European Territorial Cooperation	8.72	2.52 %	0.4	1.46 %
Total	347	100 %	26.7	100 %

Data source: Ministry of regional development, 2016a; European Commission, 2009; edited by author

Table presents, that 96.98 % of all resources for the Czech Republic falls under the objective of Convergence, 1.56 % is possible to draw under the Regional competitiveness and employment and the rest 1.46 % of all resources falls under European Territorial Cooperation.

In comparison with the average of EU, the Czech Republic was able to get higher percentage of resources through the Convergence objective, but fewer in Regional competitiveness and employment. This is due to the above mentioned fact that under the Convergence objective falls all of the regions of the Czech Republic with the exception of the capital city Prague, which belongs to the Regional competitiveness and employment objective.

Regional operational programmes (ROP)

ROP focus on enhancing the living conditions in municipalities, increasing the education level, support of development of infrastructure and for example modernization of public transport. Programming period 2007-2014 had following programmes, which disposed with total EUR 4.66 billion for Cohesion regions (Chvojková and Květoň, 2007):

- ROP NUTS II North-West
- ROP NUTS II Moravia-Silesia
- ROP NUTS II South-East
- ROP NUTS II North-East
- ROP NUTS II Central Moravia
- ROP NUTS II South-West
- ROP NUTS II Central Bohemia

Thematic operational programmes

Each operational programme focus on different theme, these are namely support of industry, increasing of unemployment, enhancing of environment and transportation, modernization and the quality improvement of education and competitiveness of the Czech Republic.

- OP Transport
- OP Environment
- OP Enterprise and Innovation
- OP Research and Development for Innovations
- OP Human Resources and Employment
- OP Education for Competitiveness
- Integrated Operational Programme
- OP Technical Assistance (Ministry of regional development, 2016a)

The objective of Regional Competitiveness and Employment covers the support of the capital city of Prague, which cannot draw funding from the Convergence objective for the poorest regions, since the capital belong to the most developed regions of EU. There were two operational programmes:

- OP Prague - Competitiveness
- OP Prague – Adaptability (Ministry of regional development, 2016a)

Operational programmes have exact structure, all of them have to contain an analysis of the strengths and weaknesses of the area, justification for selected priorities, information on the priorities and each specific objectives, or for example financing plan. (European Commission, 2010)

The objective of the European Territorial Cooperation deal with the support of cross-border, interregional and transnational cooperation between different regions. The assistance for this funding is possible under following operational programmes (European Commission, 2016b):

- OP Cross-Border Cooperation CR-Bavaria
- OP Cross-Border Cooperation CR-Poland
- OP Cross-Border Cooperation CR-Austria
- OP Cross-Border Cooperation CR-Saxony
- OP Cross-Border Cooperation CR-Slovakia
- OP INTERREG IVC (all EU states, Norway and Switzerland)
- OP Central Europe (CR, Austria, Poland, a part of Germany, Hungary, Slovenia, Slovakia, a part of Italy and a part of Ukraine out of the non-member states)

3.4 Programming period 2007-2013 in Slovakia

In the Slovak Republic, the distribution of regions into NUTS is as follows.

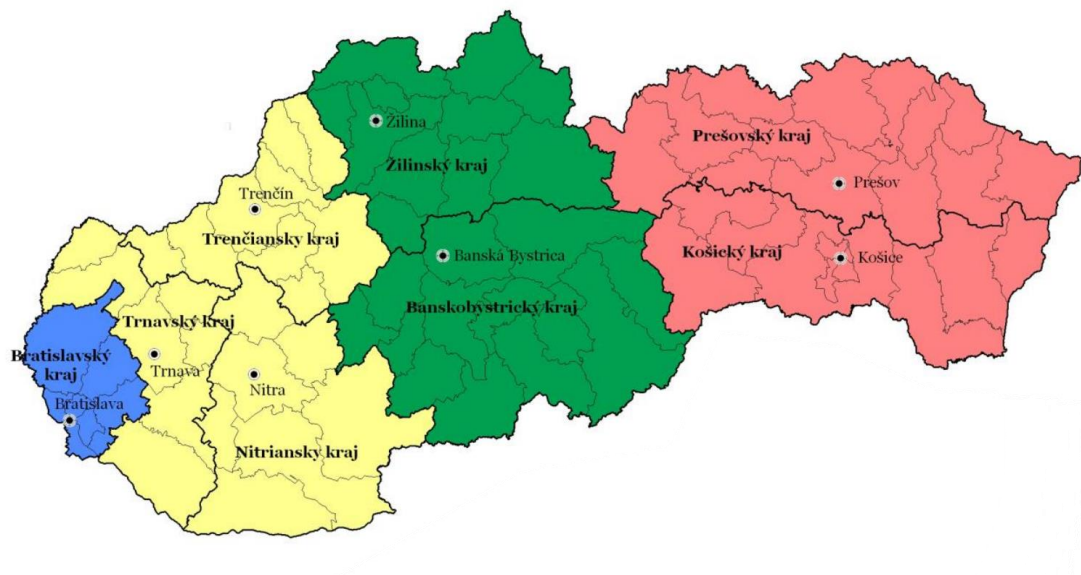


Fig. 4 SK-NUTS

Source: Komunálne výskumné a poradenské centrum, n. o., 2014

NUTS I region is the Slovak Republic as a country, NUTS II oblasti are shown on the previous map with 4 colours – blue is Bratislava region, yellow is Western Slovakia, green is Central Slovakia and finally pink region is Eastern Slovakia. NUTS III regions are surrounded by a bold line, Slovakia has 8 NUTS III regions - Bratislava Region, Trnava Region, Trenčín Region, Nitra Region, Žilina Region, Banská Bystrica Region, Prešov Region and Košice Region. Similiary to the Czech Republic, Slovakia has also subdivisions - 79 LAU I districts and 2982 LAU II municipalities. (Výrostová, 2010)

Slovakia disposed during the programming period 2007-2014 of total allocation 11.7 billion EUR, which was distributed through 11 operational programmes. The detailed distribution of funding into the objectives and the funds is presented in following table.

Tab. 3 Distribution of EU funds in Slovakia (billion EUR)

Objective	Fund	EU	National	Total
Convergence	CF	4	0.7	4.7
	ERDF	6	1	7
	ESF	1	0.3	1.3
Total Convergence		11		
Regional competitiveness and employment	ERDF	0.5	0.1	0.5
	ESF	0.03	0.01	0.04
Total RCE		0.5		
Total European Territorial Cooperation	ERDF	0.2	-	0.2
Total		11.7	2	13.7

Data source: European Commission, 2009a; edited by author

Under the Convergence objective, Slovakia was able to receive up to 11 billion EUR from EU, where 4 billion were distributed through Cohesion fund, 6 billion through ERDF and 1 billion through ESF. Convergence objective was applied to three regions of Slovakia: Western Slovakia, Central Slovakia and Eastern Slovakia.

Bratislava region is the only region, which falls under the Regional competitiveness and employment objective. With 0.5 billion EUR represents only a small portion out of total allocation.

Funding was provided with highest available resource through the ERDF fund with 6.7 billion EUR. Cohesion fund for Slovakia disposed of 4 billion and ESF of 1.03 billion. National contribution to the funding was calculated to 2 billion EUR. Also it is necessary to remind, that also here minimum of 15 % national contribution is already covered in the total sum of European territorial cooperation

The following table shows the comparison of distribution of EU Funds according to the objective in Slovakia and in the average of EU27.

Tab. 4 Distribution of EU funds in Slovakia and EU (billion EUR)

Objective	Funds for the EU27		Funds for the Slovakia	
Convergence	283	81.54 %	11	95 %
Regional competitiveness and employment	54.96	15.95 %	0.5	0.03 %
European Territorial Cooperation	8.72	2.52 %	0.2	0.02 %
Total	347	100 %	11.7	100 %

Data source: Ministry of regional development, 2016a; European Commission, 2009a; edited by author

When the distribution of funds in Slovakia is compared to the rest of EU, it is obvious that Slovakia receive more resource from the Convergence objective, than the average of EU. It is due to the fact that under this objective falls all of the regions of Slovakia with one exception – Bratislava. Since Bratislava regions does not belong to the poorest regions of the EU, it falls with 0.5 billion EUR under the Regional competitiveness and employment objective.

As was already mentioned, Slovakia has 11 operational programmes, where 2 of them are regional operational programmes (European Commission, 2016b):

- OP Bratislava region
- OP Western Slovakia, Central Slovakia and Eastern Slovakia

9 operational programmes were so called national, or thematic, where 6 of them falls under the Convergence objective (NSSR SR, 2016):

- OP Information Society
- OP Competitiveness and economic growth
- OP Healthcare
- OP Environment
- OP Transportation
- OP Technical assistance

3 of them falls under Convergence and Regional competitiveness and employment objective (NSSR SR, 2016):

- OP Research and development
- OP Employment and social inclusion
- OP Education

Slovakia also cooperates with the rest of Europe through 7 Cross-border, transnational and interregional co-operation programmes (European Commission, 2016b):

- OP Slovakia - Czech Republic
- OP Hungary - Slovak Republic
- OP Central Europe
- OP Poland - Slovakia
- European Territorial Cooperation Austria-Slovak Republic 2007-2013
- Operational Programme South East Europe (SEE)

3.5 Programming period 2007-2013 in Estonia

Estonia is not divided into NUTS 1 and NUTS 2 regions. The countries are divided into five NUTS 3 regions.

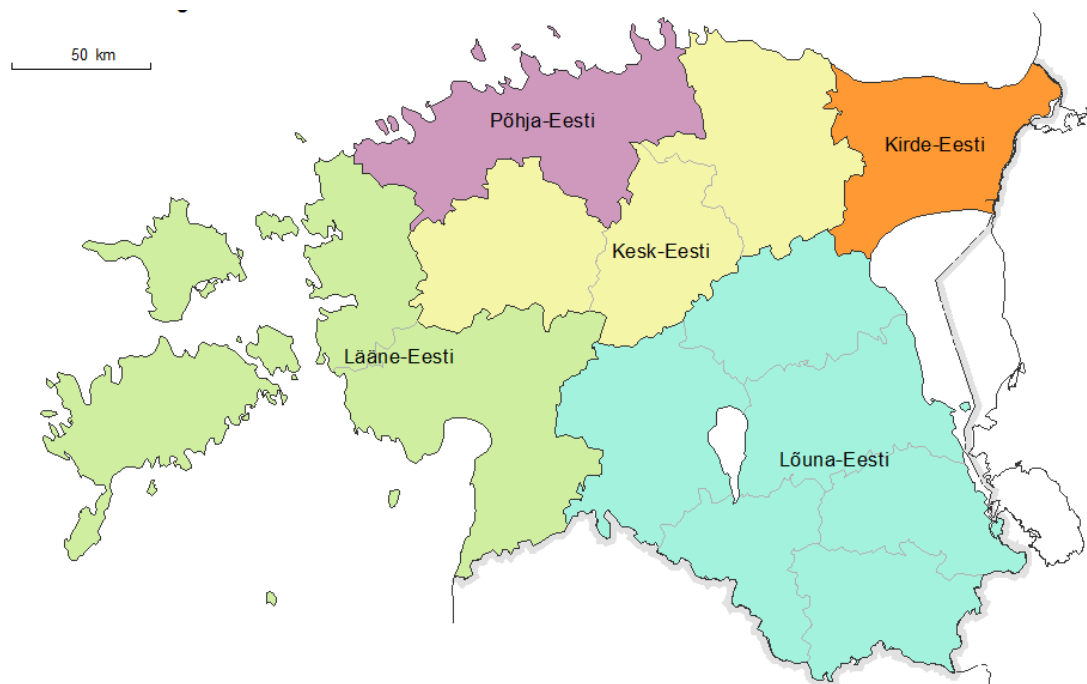


Fig. 5 EE-NUTS
Source: Statistics Estonia, 2015

NUTS 3 regions are: Northern Estonia (Põhja-Eesti), Western Estonia (Lääne-Eesti), Central Estonia (Kesk-Eesti), Northeastern Estonia (Kirde-Eesti) and Southern Estonia (Lõuna-Eesti). (Statistics Estonia, 2015)

Estonia has similarly to the Czech Republic and Slovakia also LAU 1 and LAU 2 levels (Statistics Estonia, 2015):

- LAU 1 – 15 counties (Maakond)
- LAU 2 – 227 municipalities (Vald, linn)

Total 3.45 billion EUR were available for Estonia during this programming period. Funding was performed under only two EU objectives – Convergence and European Territorial Cooperation Objective.

Detailed distribution of total resources available is shown in following table.

Tab. 5 Distribution of EU funds in Estonia (billion EUR)

Objective	Fund	EU	National	Total
Convergence	CF	1.1	0.2	1.3
	ERDF	1.9	0.2	2.1
	ESF	0.4	0.05	0.05
Total Convergence		3.4		
Total European Territorial Cooperation	ERDF	0.05	-	0.05
Total		3.45	0.45	3.9

Data source: European Commission, 2009b; edited by author

Estonia was able to draw in programming period 2007-2013 3.45 billion EUR in total, where 3.4 billion fell under Convergence objective and 0.05 billion EUR under European Territorial Cooperation. Estonia does not have any region, which would fall under the Regional competitiveness and employment objective, so they cannot receive under this objective any finances.

Most of the resources for Estonia belongs to ERDF fund with 1.95 billion EUR, 1.1 billion EUR were prepared for Cohesion fund and through the ESF, Estonia could receive up to 0.4 billion EUR. National contribution was 0.45 billion EUR in total.

Similarly to the Slovakia and the Czech Republic, these numbers will be further compared to the distribution according to objectives of the average of the EU.

Tab. 6 Distribution of EU funds in Estonia and EU (billion EUR)

Objective	Funds for the EU27		Funds for the Estonia	
	Value	Percentage	Value	Percentage
Convergence	283	81.54 %	3.4	98.55 %
Regional competitiveness and employment	54.96	15.95 %	-	
European Territorial Cooperation	8.72	2.52 %	0.05	1.45 %
Total	347	100 %	3.45	100 %

Data source: Ministry of regional development, 2016a; European Commission, 2009b; edited by author

Since Estonia does not have a region, which would fall under the Regional competitiveness and employment objective, almost all of the resources are assigned to the Convergence objective. With almost 96 % of allocated resources for Estonia under the objective of Convergence, this country belongs to the above-average of EU. Remaining 1.45 % belongs to the European territorial cooperation.

During the programming period 2007-2013 Estonia had in total 6 operational programmes, where 3 of them were implemented by Ministry of Economic Affairs and Communications, Ministry of Environment and Ministry of Education and Research (Ministry of Economic Affairs and Communications, 2016; Struktuurifondid, 2011):

- **OP for Human Resource Development** – focus on education, employment and labor market, youth work, entrepreneurship and improvement of administrative capacity, research and development.
- **OP for the Development of the Living Environment** – covers environmental protection, energy, local and regional development, education, health care and welfare services.
- **OP for the Development of Economic Environment** – focus on activities supporting the development of Estonian enterprises and growth in their productivity, starting and developing export to foreign countries and support of large-scale investments of domestic and international importance in transportation and development of information society.

Estonian 1st level intermediate bodies of structural assistance are the ministries of Social Affairs, of the Interior, of the Environment, of Education and Research and ministry of Economic Affairs and Communications. (Struktuuri-fondid, 2011)

Among 2nd level intermediate bodies belongs organizations, provide assistance application and they communicate directly with the recipients of the structural assistance. These are for example Estonian Road Administration, Environmental Investment Centre of for example Tallinn Airport. (Strukturifondid, 2011)

Estonia has similarly to the Czech Republic and Slovakia also cross-border, transnational and interregional co-operation programmes, that is (European Commission, 2016b):

- OP Estonia – Latvia
- OP Central Baltic
- Baltic Sea Region Programme 2007-2013

3.6 Regional Aid maps 2007-2013

In 2005 European Commission adopted new guidelines for regional aid in period 2007-2013. Guidelines lay down the rules for allowing state aid. These aids supports the development of poorer regions through direct investment grants or tax reductions for companies etc. The rules define the maximum permitted levels of regional aid and specify, which regions are eligible for this aid. (European Commission, 2007a and König, 2012)

Regions with GDP per capita less than 75 % of the EU-25 average are eligible for regional state aids as follows:

Tab. 7 Regional state aids and GDP and population

Regional GDP as % of EU-25 GDP	% of EU-25 population	Maximum aid rates for large companies
<75 %	14.05 %	30 %
<60 %	6.30 %	40 %
<45 %	7.37 %	50 %

Source: European Commission, 2007a

Regions with more with more than 75 % of the EU-25 average per capita GDP are also eligible for allocation of state aids, however at lower rates - between 10 % and 15 %.

Based on these guidelines, Member states create regional aid maps which define, where companies can receive state aids and at which intensity. Regional state aid map for European Union for period 2007-2013 is displayed in following picture. (European Commission, 2007a)

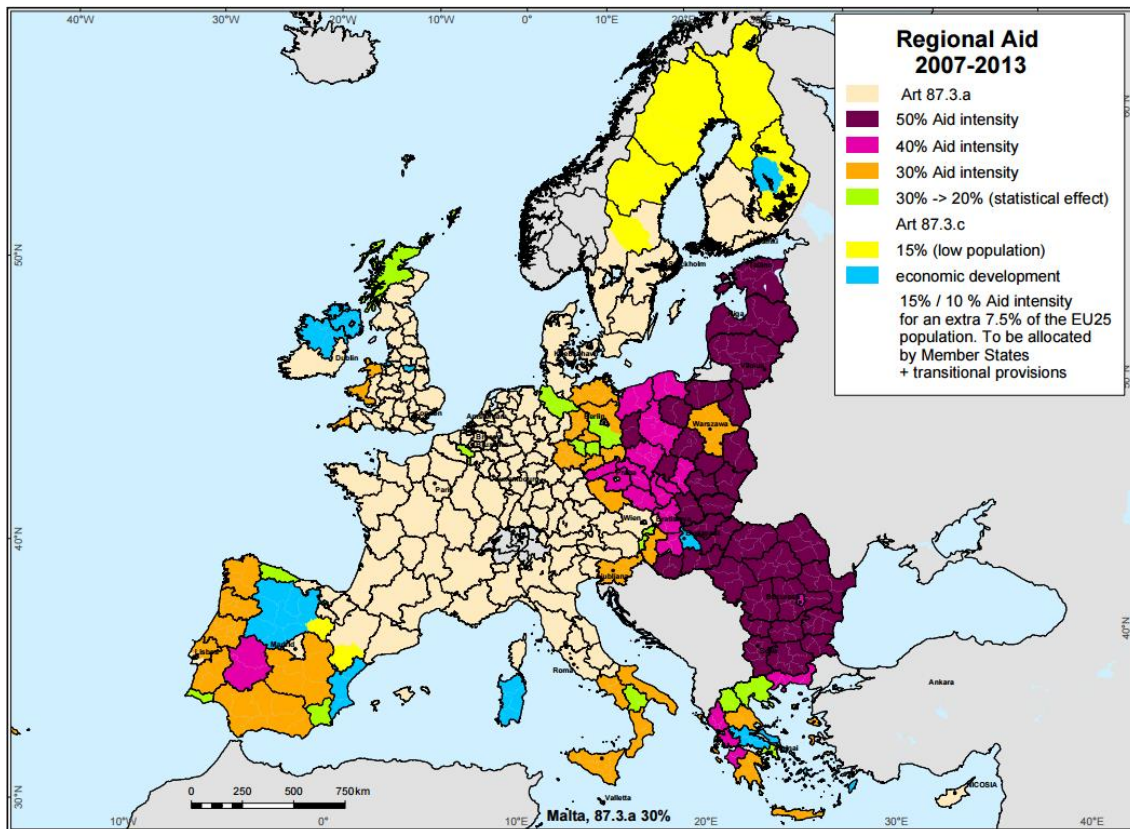


Fig. 6 Regional Aid map 2007-2013
Source: European Commission, 2016c

The regional state aid map points out, that large companies in the Czech Republic are mostly eligible for regional state aids of 40 % intensity with exception of NUTS 2 region Southwest and capital Prague. Companies in Southwest region were able to receive state aids till the end of 2010 up to 36 % and later only 30 %. Since Prague belongs to most developed regions, companies there were able to allocate aids up to 10 % in period 2007-2013. (European Commission, 2016c)

In Slovakia, Bratislava region belong to the most developed regions, therefore is eligible for 10 %. Regions to the east of Slovakia (Central and Eastern Slovakia) were able to receive aid up to 50 %. Western Slovakia falls under 40 %. (European Commission, 2016c)

From the figure 6 it is obvious, that most of regions in Estonia belongs to 50 % aid intensity. One exception is Northern Estonia with 40 %. (European Commission, 2016c)

3.7 Procedure of obtaining a subsidy

The procedure for obtaining a subsidy from the European Funds includes several steps. It starts with a creation of project proposal. All projects must have a

logical structure and exactly specified goals. Great attention should be given to the budget and project financing, which is vital part of the project. After that the entity has to search for relevant operational programme and then they wait for calls for submission. (Tauer and coll., 2009)

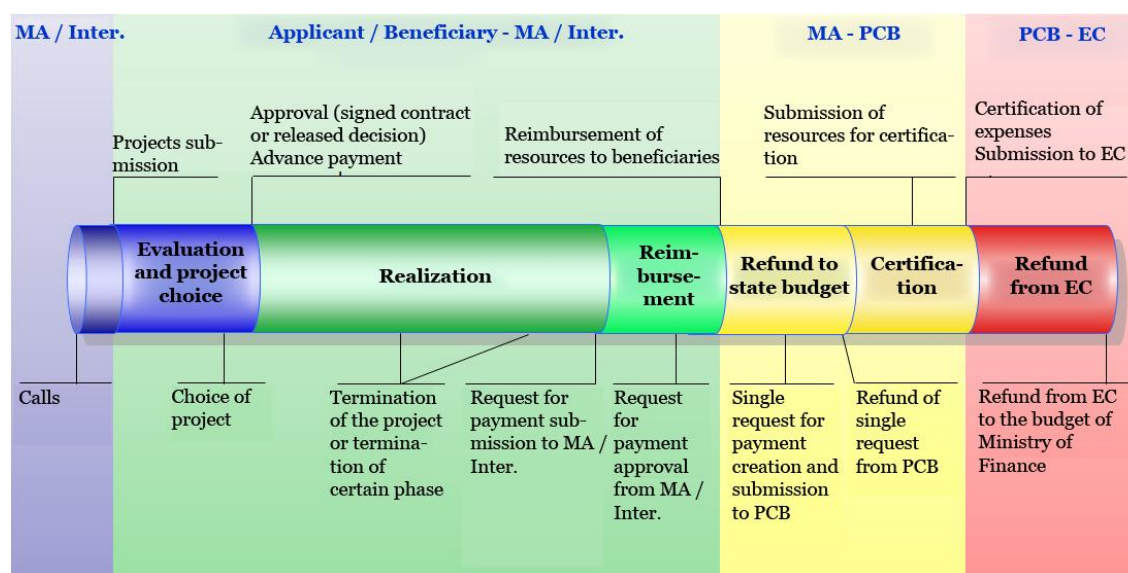


Fig. 7 Financial drawing scheme

Source: Ministry of regional development, 2016c; edited by author

When the projects are submitted, the approval process starts. Applications are evaluated under assessment and scoring criteria, which were part of the call. Projects with highest scores are than recommended for approval. However it can happen, that there will be not enough resources for funding, in that case, the project goes to the container of projects, where it waits for release of financial resources. The projects can be off course also disapproved. (Palánová and coll., 2008)

After the project stage or entire project the beneficiaries request for payments. Payments can be ex-post (subsequent reimbursement of expenditure already incurred by the beneficiary) or ex-ante payments (provision of funds to beneficiaries before project expenditure). The decision of the form of the payment is based on the decision of the managing authority. Managing authority also controls, whether the project expenditures are used in accordance with the project objectives and also can execute on-site inspection of the project.

Other important part of the process is project publicity. Every project funded by EU funds must inform about such assistance in accordance with the rules for project's mandatory publicity. Since the EU funds are ultimately intended for the needs of the entire society, not the beneficiary itself, it is necessary to inform not only the project users but also the widest public about the provision of aid from European Union. (Ministry of regional development, 2016c)

Last requirement on the funded projects is their sustainability. The projects do not end on the day, when the last reimbursement was paid. It is necessary to maintain the project at least for couple of years after that, usually it is 5 years. Through this period the beneficiaries have to regularly report to the managing authority. If the project will end sooner, a sanction will be imposed and in some cases, the beneficiaries may be even ask to return part or the whole subsidy. (Ministry of regional development, 2016c)

When the requests for payments are approved and resources are disbursed to beneficiaries, managing authority starts part of refund of resources to state budget. Particularly they put all the requests for payments into single request, which is then presented to Paying and Certifying Body. Certifying authority is responsible for guaranteeing the accuracy and probity of statements of expenditure and requests for payments before they are sent to the European Commission (European Commission, 2013).

Process of refund of resources to state budget is followed by certification and refund from European Commission into the budget of Ministry of finance. The system of funding in European Union is based on the principle of pre-funding from the state budget. The portion from EU (which can be up to 85 %) designated for co-financing of operational programme if firstly pre-funded by the state budget and after that is refunded back to the state budget from the Payment and Certification body. This may be one of problems during the funding, since it is necessary to have appropriate amount of resources within the state budget, which will be used for this purpose. The remaining portion is the national financing from the state budget. (Ministry of regional development, 2016c)

3.7.1 N+2/N+3 rule

According to the Cohesion policy the allocations for Member states are divided into annual amounts, which have to be used within the certain period. When the rule is N+2, where N represent the starting year, the annual amount have to be spent within two years. Equally N+3 means that the resources have to be spent within three years. Any of that annual amount which the Member State did not spend within two or three years, is automatically transferred back into the EU budget and the country therefore cannot use this resources anymore. The amount is deducted from Member State's allocation.

According to the article 31.2 of Regulation 1260/1999 "*Commission shall in good time inform the Member State and the paying authority whenever there is a risk of application of the automatic decommitment provided for in the second subparagraph.*" Therefore if there is a probability, that the country will not be able to use all the resources according to the N+2 or N+3 rule, the Commission sends a warning to Member state. The Commission may also prolong the period. (European Commission, 2016e)

For allocation of year 2007, 2008 and 2009 is valid rule n+3, whereas N+2 is valid for remaining years.

4 Results

4.1 Quantitative analysis

The purpose of this part of this thesis is to evaluate the level of drawing of funds according to the phases of project cycles. The first part will focus on overall funding from operational programmes, which will be followed by evaluation of chosen operational programmes in selected countries.

The project cycle is determined by development phases, through which we can evaluate the progress of financial drawing from EU funds. These phases copy the drawing scheme structure, which was introduced in the picture no. 7 in the previous chapter. The particular phases are: Submitted applications, Approved projects, Payment to beneficiaries, and Applications for payment.

Submitted applications for support from Structural funds or Cohesion fund are applications, which were submitted by applicant based on the actual calls. Every application is filled up electronically and is registered by the information system of Managing authorities of individual operational programmes.

Approved projects are those projects, which fulfilled the formal requirements and acceptability conditions, they received the sufficient amount of evaluation points and were recommended for funding. When the legal act with beneficiary is signed, we can state, that the project is marked as approved.

Third phase are **payments to beneficiaries**, which represent the total amount of resources, which were paid to bank accounts of beneficiaries (upon the payment request) after the realization period or certain part of the project (only within a stage project). These numbers does not cover advance payment.

Last but not least are the **applications for payment**, sent to the European Commission from the Paying and Certifying body. These requests contain certified expenses – expenses approved as expenditures spent in compliance with EU and national regulations. The EC refunds these resources to the Paying and Certifying body within two months. (Ministry of regional development, 2016b)

All of the phases are presented with the percentage of the total allocation for given programming period 2007-2013.

Progress of financial drawing till 6th of January 2016 in the Czech Republic is shown in following picture. Figures calculates with EU sources only.

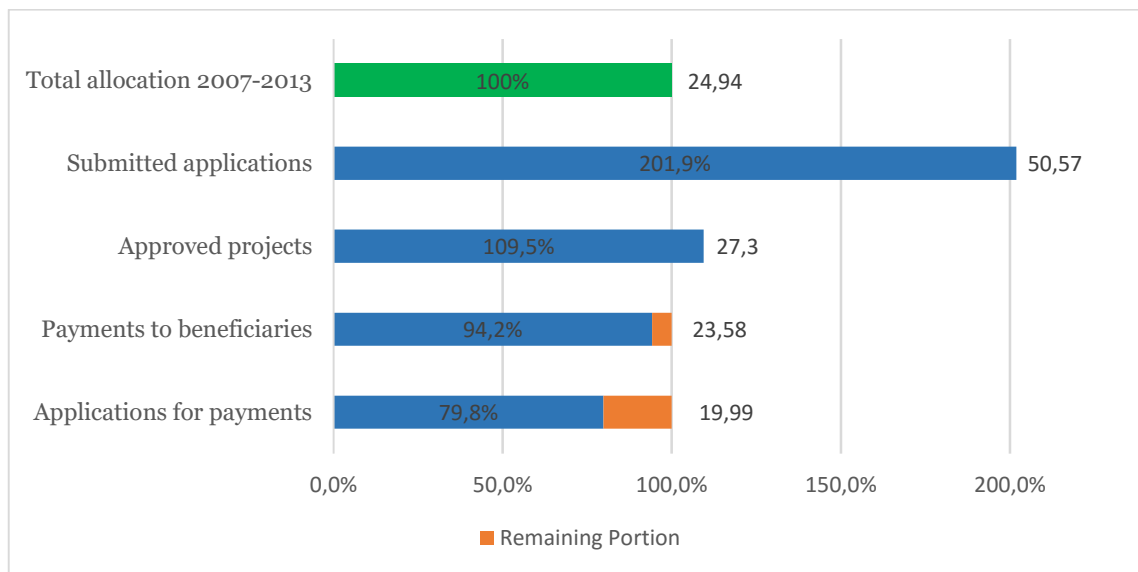


Fig. 8 Progress of Czech gaining till 6th of January 2016 (billion EUR)
Data source: Ministry of regional development, 2016b; edited by author

The total allocation of resources for programming period is 24.94 billion EUR and it includes the Structural funds and the Cohesion Fund.

Managing authorities have received till the 6th January 2016 applications in the total amount of 50.57 billion EUR. This financial figure represents 201.9 % of the total allocation for programming period 2007-2013.

Managing Authorities have approved till 6th January projects in the amount of 27.3 billion EUR, which forms 109.5 % of the total allocation. However more important factor, which indicates the real level of EU funds management is the comparison between contracted grants and paid grants.

From the total allocation of 24.94 billion EUR beneficiaries received 23.58 billion EUR, which is 94.2 %. That means that 5.8 % of total allocation (appx. 1.4 billion EUR) is still not payed out.

Paying and Certifying Body at the Ministry of Finance has requested from the European Commission payments for the 79,8 % of total allocation.

If we look into the status of Slovakia, we can see much better development. The progress of gaining in Slovakia till 31st

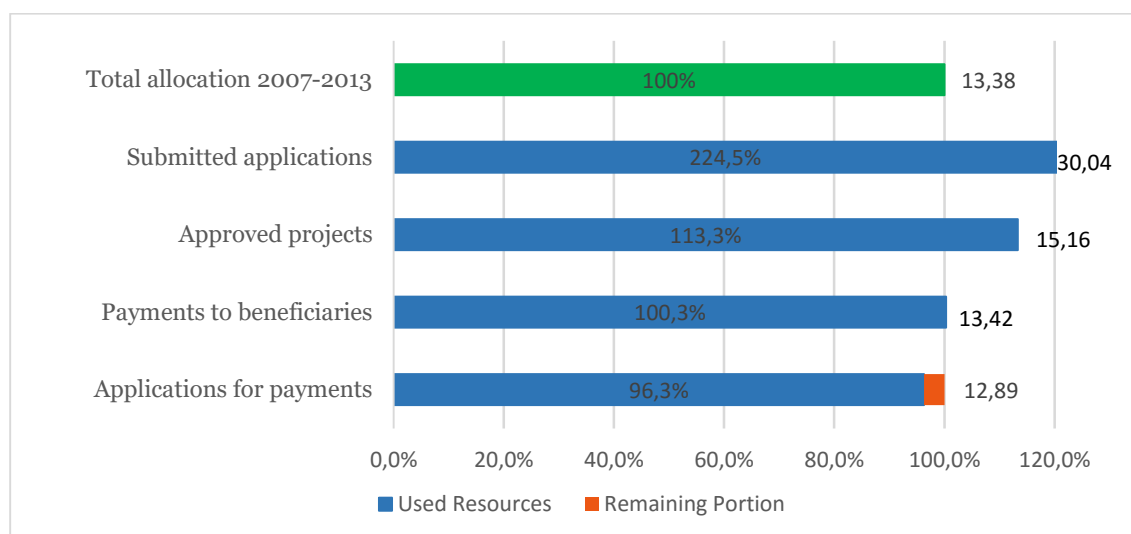


Fig. 9 Progress of gaining in Slovakia till 31st December 2015 (billion EUR)
Data source: NSSR SR, 2016a; edited by author

Total allocation of Slovakia, including the national contribution and public own resource, accounts for 13.38 billion EUR. Managing authorities received 24 415 applications in total value of 30.04 billion EUR. From this amount 9440 projects were approved and the contract was signed. It represents 113.3 % of total allocation of programming period in Slovakia. Beneficiaries received 13.42 billion EUR, which is 100.3 % of all resources. Slovakian authorities requested for 12.89 billion EUR till the end of 2015, this represents 96.3 %. The Czech Republic requested only for 79.8 %.

We can compare these figure with Estonia also, where following graph shows the actual status of implementation till 31st of January 2016.

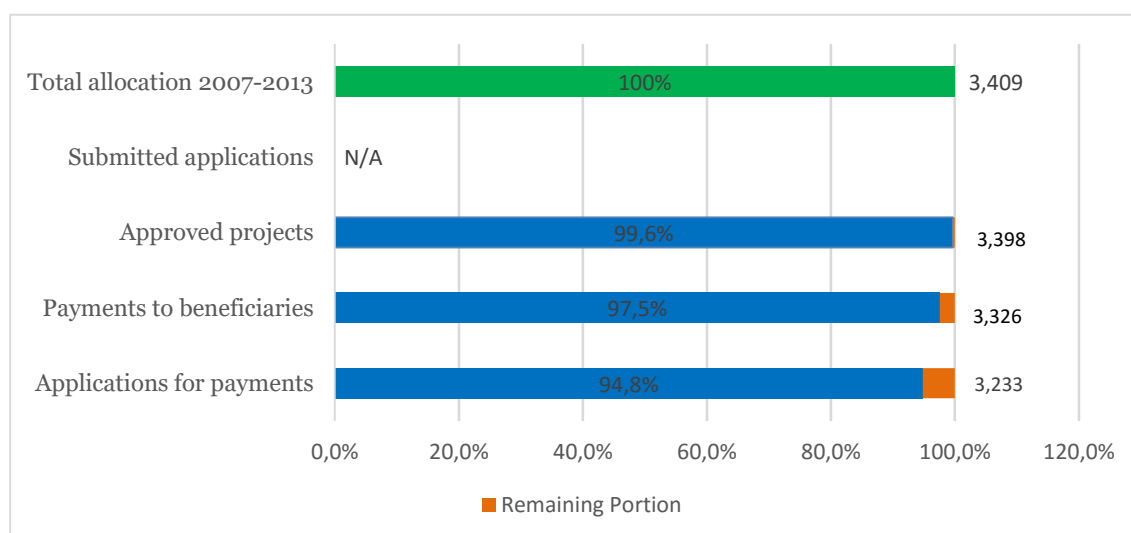


Fig. 10 Progress of Estonian gaining till 31st of January 2016 (billion EUR)
Data Source: Rahandusministeerium, 2016; edited by author

The total structural assistance from EU to Estonia for period 2007-2013 is 3.409 billion EUR. Rahandusministeerium does not publish submitted applications in their reports, however, Estonia approved till 31st of January projects in total amount 3.398 billion EUR, and it represents 99.6 % of available resources for given programming period.

Payments or so called executed payments to beneficiaries in Estonia amount to 3.326 billion EUR. In comparison with the Czech Republic, where beneficiaries received only 94.2 %, Estonian 97.5 % is a bit better. However the most significant difference is by the applications for payments. Paying and Certifying Body in the Czech Republic has requested for payments of 79.8 % of all the resources. However in Estonia till 31st of January the authorities requested 3.233 billion EUR, which is already 94.8 %.

Exchange rate CZK/EUR

When the situation of the Czech Republic is evaluated, it is necessary to stress the importance of development of exchange rate CZK/EUR. The total allocation of resources from Structural funds and Cohesion fund is calculated in Euros, therefore the movements of exchange rate affect available resources.

During the programming period 2007-2013 the exchange rate of Czech crown to Euro has strengthen by 1.9 %. Therefore the allocation expressed in CZK (holding other things constant) decreased by 1.9 %. However in a reality, it does not have to be true, because we have to assign actual exchange rate to the date of funding. The development of total allocation expressed in CZK can be seen in following graph.

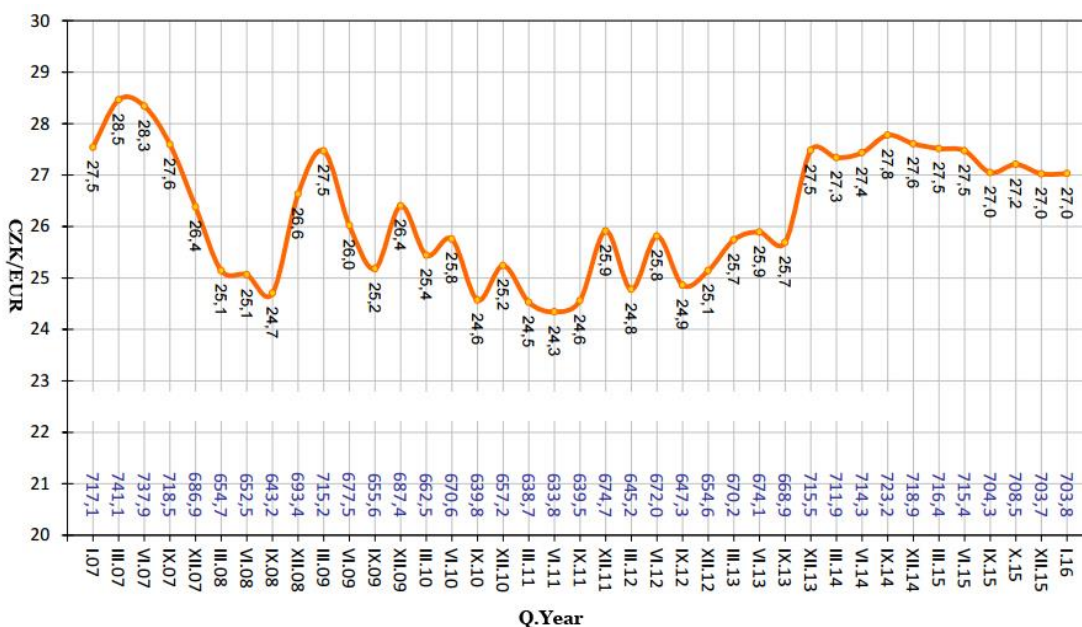


Fig. 11 Exchange rate CZK/EUR development
Source: Ministry of regional development, 2016b

Picture shows the quarterly conversion of total allocation by the exchange rate. Vertical axis represents CZK/EUR exchange rate, whereas horizontal axis express quarter of a year. It is obvious, that disposable resources from the Structural and Cohesion funds changes over a time. There were visible fluctuations of the exchange rate till the start of exchange rate interventions of Czech National Bank in 2011. Since that moment, the fluctuations are minimal in comparison with previous quarters. Conversion into EUR is an essential part of every application, since it can happen, that the request for payment will be rejected just for the wrong conversion.

4.1.1 Absorption rates of chosen countries

Following graph shows the most updated data (April 2016) on the percentage of funds paid by the Commission (including interim payments and pre-financing) compared to total available budget of individual countries. These figures cover European Regional Development Fund, Cohesion Fund and European Social Fund, including European Territorial Cooperation.

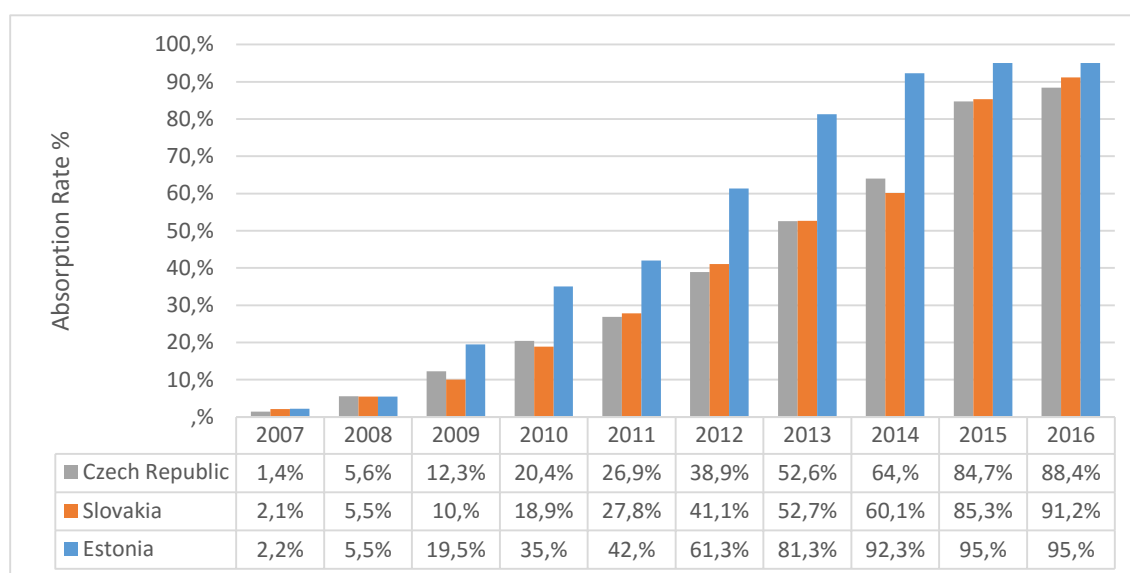


Fig. 12 Comparison of absorption rates in programming period 2007-2013
Data Source: Socrata, 2016; edited by author

Previous graph shows us the rate how countries are able to receive funds from the Commission. The Czech Republic comes from this comparison as an evident loser. Even though the other countries were not able till the April 2016 to fully receive all the resources available, they were more successful than the Czech Republic. In the first year, the Czech Republic received 368 million EUR as an advance payment from the Commission. Compared to Slovakian 247 million and Estonian 74 million EUR it is much higher sum of money, but the Czech Republic also dispose with much higher total allocation. In following years the payments to the Czech Republic and Slovakia has similar development, but the

payments to Estonia were rising much faster. In 2010 the absorption rate in Estonia was already 35 %, but in the Czech Republic it was 20.4 % and in Slovakia only 18.9 %. Dominance of Estonia continued till 2015, when the Czech Republic and Slovakia were able to significantly reduce difference with the absorption rate 84.7 % and 85.3 %, compared to Estonian 95 %. More than two years after the programming period 2007-2013 the Czech Republic received only 88.4 % of total available allocation from the Commission.

If we look closer on funding through individual funds in the Czech Republic (in the following picture), we may see, that we are not receiving resources through the European social fund, Cohesion and ERDF fund equally.

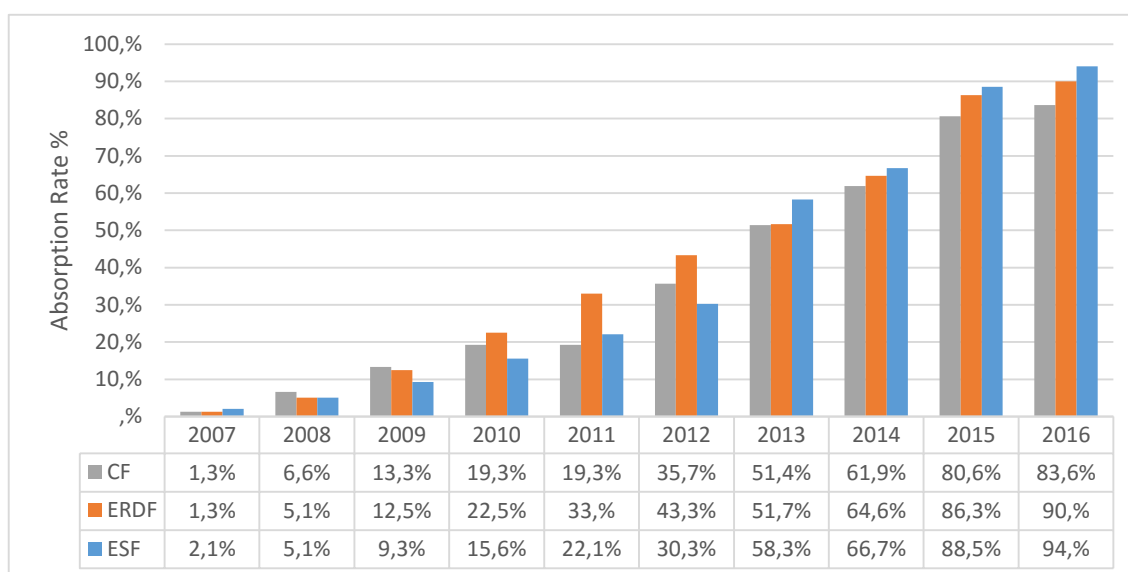


Fig. 13 Absorption rates in the Czech Republic

Data source: Socrata, 2016; edited by author

Most proportional development of absorption rates over the programming period is by the Cohesion fund with average growth of 182 %. The average growth rate of ERDF in the Czech Republic was 175 %. Even from the chart it is visible, that probably worst growth rate will have ESF and with average rate of 157 % it really is. The worst performance of ESF in comparison with other funds was till the year 2013, where the absorption rate rocket up from 30.3 % in 2012 to 58.3 % in 2013. After that the percentage development is more or less the same.

Since the development of payments through different funds changes over time, as we can see in above displayed picture, we cannot state for certain, where the Czech Republic has largest difficulties in receiving the payments from the Commission. Till the April 2016 we have received only 83.6 % through Cohesion fund, 90 % through ERDF and 94 % of total allocation through European social fund.

4.1.2 Characteristics of chosen OP in selected countries

First Operational programme, which will be in detail described will be Czech OP Environment, which will be followed by description of Slovakian OP Environment and Estonian OP for Development of the Living Environment.

Czech Republic – OP Environment

Operational programme Environment is focused on increasing the quality of the environment and by doing it also contributes on improving of health of the population. It focuses on improving the state of the air, water and soil. It deals with the matter of waste and industrial pollution, where it for example supports the cultivation of landscape and use of renewable energy sources. OP Environment also supports construction of infrastructure for environmental awareness and education. (Ministry of regional development, 2016b)

Managing authority is the Ministry of Environment of the Czech Republic, followed by intermediate body State Environmental Fund of the Czech Republic, which. (Ministry of regional development, 2016b)

OP Environment is second biggest in the Czech programming period 2007-2013. With allocation of 4.92 billion EUR from Cohesion and European Regional Development Funds amounts to 18.4 % of all resources designated for the Czech Republic from the EU. (Ministry of regional development, 2016b)

This operational programme is divided into 8 priority axes, logical units, which are further implemented through areas and sub-areas of intervention. These areas than define, which projects are suitable for funding under respective priority axes. Axes are as follows (Ministry of regional development, 2016b):

- Priority Axis 1 - Improving water management infrastructure and reducing the risk of floods
- Priority Axis 2 - Improving air quality and reducing pollution
- Priority Axis 3 - Sustainable use of energy sources
- Priority Axis 4 - Improving the quality of waste disposal and rehabilitation of old ecological burdens
- Priority Axis 5 - Limiting industrial pollution and reducing environmental risk
- Priority Axis 6 - Improving the state of nature and the landscape
- Priority Axis 7 - Development of infrastructure for environment education, advisory and awareness
- Priority Axis 8 - Technical assistance

Operational programme Environment was open to municipalities and towns, regions, state organizations and enterprises, contributory organizations and branches of municipalities, non-governmental non-profit organization, natural persons, and entrepreneurs, to public research and scientific institutes

and others. However some of the areas of intervention are assign only to some applicants. (Ministry of regional development, 2016b)

Overall overview of OP Environment can be seen in following table.

Area of intervention →		Municipalities and towns	Contributory institut. and organis. components of municipalities and towns	Municipality unions	Regions	Contributory institutions and organisational components of regions	National enterprises, organisations	Organisational components and contributory institutions of the state	Public research institutions (PRI)	Non-profit organisations	Other non-entrepreneurial entities with more than 50% of their property owned by municipalities or other public entities, including PRI	Business organisations owned by municipalities or public entities #	Business organisations with less than 67 % of their property owned by municipalities or other public entities	Entrepreneurial entities - individuals	Individuals - non-entrepreneurs
Priority axis ↓															
1	1.1 - The reduction of water pollution	*	*	*	*	*	*	*			*	*	*	*	
	1.2 - Drinking water quality improvement	*	*	*	*	*	*	*			*	*	*	*	
	1.3 - The reduction of flood risks	*	*	*	*	*	*	*			*	*	*	*	
2	2.1 - The improvement of air quality	*	*	*	*	*	*	*		*	*	*	*	*	*
	2.2 - The reduction of emissions	*	*	*	*	*	*	*		*	*	*	*	*	*
3	3.1 - The construction of new facilities and modernisation of existing facilities with the aim to increase the use of renewable energy sources for heat generation, electric energy generation and for combined heat and electric energy generation	*	*	*	*	*	*	*		*	*	*	*	*	*
	3.2 - The realisation of energy savings and the use of waste heat in the non-business carrying sector	*	*	*	*	*	*	*		*	*	*	*	*	*
4	4.1 - The improvement of waste management	*	*	*	*	*	*	*		*	*	*	*	*	*
	4.2 - The rehabilitation of old ecological burdens	*	*	*	*	*	*	*		*	*	*	*	*	*
5	5.1 - Limiting industrial pollution	*	*	*	*	*	*	*	*	*	*	*	*	*	*
6	6.1 - The implementation and management of the NATURA 2000 network				*			*							
	6.2 - Support for biodiversity	*	*	*	*	*	*	**	*	*	*	*	*	*	*
	6.3 - Recovery of landscape features	*	*	*	*	*	*	**	*	*	*	*	*	*	*
	6.4 - Optimisation of the landscape water regime	*	*	*	*	*	*	*	*	*	*	*	*	*	*
	6.5 - Support for the regeneration of urbanised landscape	*	*	*	*	*	*	**	*	*	*	*	*	*	*
	6.6 - The prevention of landslides and rock avalanches, the monitoring of geofactors and the impacts of mining and extraction activities, and the assessment of non-renewable natural sources, including groundwater resources	*	*	*	*	*	*	*	*	*	*	*	*	*	*
7	7.1 - The development of infrastructure for the implementation of environmental education programmes, the provision of environmental consultancy and environmental information	*	*	*	*	*	*	*	*	*	*	*	*	*	*

Fig. 14 Table of priority axes of OP Environment
 Source: The Operational Programme Environment, 2016

Table presents detailed distribution of OP Environment into priority axes, areas of intervention and qualified applicants. We can see that there is not a single entity which would be eligible for funding in all of the areas of intervention and some of the areas are strictly earmarked for public entities. For example the only applicants, which can request for funding for their project under the priority axis 1, area of intervention Drinking water quality improvement are Municipali-

ties and towns, Contributory institutions, Municipality unions and Business organizations owned by municipalities. Thus private companies and other entities cannot apply for this funding.

Each of Priority Axis dispose of different budget. Detailed distribution, according to the percentage of total allocation is as displayed:

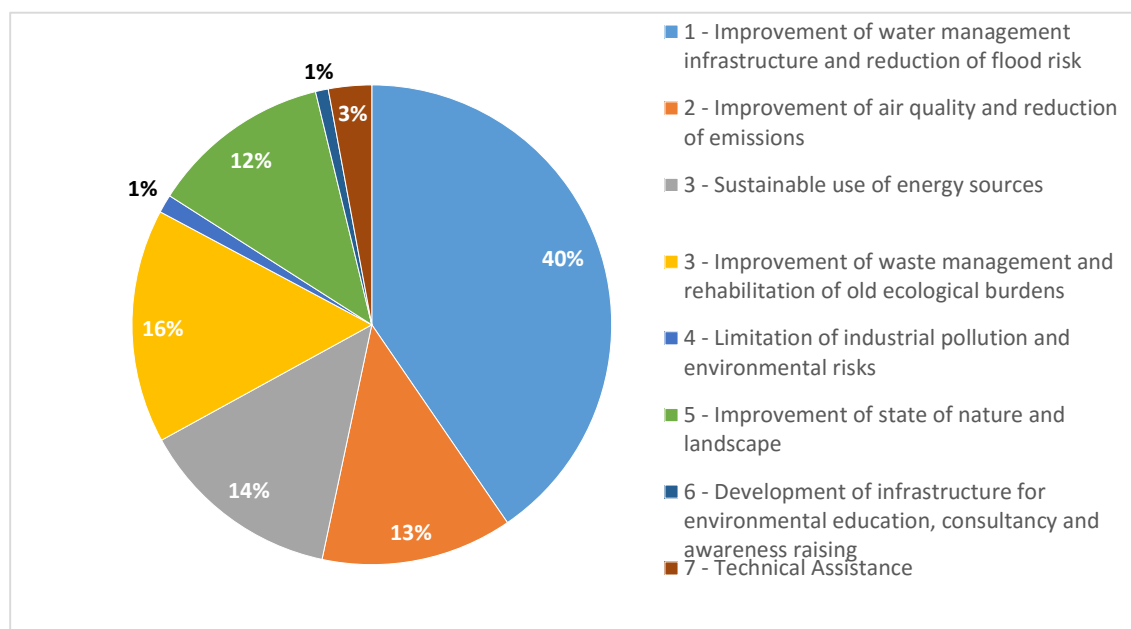


Fig. 15 Share of individual priority axes of the OP Environment CZ

Data Source: European Commission, 2016b; edited by author

Almost a half of the OP Environment resources is dedicated to priority axes 1 - Improving water management infrastructure and reducing the risk of floods. 16 % of total budget for OP Environment belongs to Improvement of waste management and rehabilitation of old ecological burdens. Improvement of air quality disposes of 13 %, whereas the development of infrastructure administer only 1 % of total allocation.

Following table shows the distribution of the total allocation for OP Environment into programming years. The data are sorted according to the source of allocation:

Tab. 8 OP Environment CZ in 2007-2013 (million EUR)

Year	Structural Fund (ERDF)	Cohesion Fund (CF)	Total=ERDF + CF
2007	86	523	610
2008	90	549	640
2009	95	574	670
2010	73	427	500
2011	31	628	659
2012	109	655	764
2013	114	682	796
Total 2007-2013	602	4 041	4 643

Data source: Ministry of Environment of the Czech Republic, 2014

Available financial resources for 7 years of programming period are equal to 4.6 billion EUR. Most of the resources for OP Environment are drawn from Cohesion Fund with more than 4 billion EUR. ERDF will provide 602 million EUR with highest amount of more than 109 million EUR in 2012.

In 2012 Czech OP Environment was evaluated by the Ministry of Regional development (2012) as one of the high-risk programme with possible threat of insufficient drawing. Till May 2012 the authorities received applications with financial requests of 7 billion EUR, this represents 136.2 % of total allocation for OP Environment. Projects in overall amount of 1.56 billion EUR were approved and signed. Payments to beneficiaries reached after 5 years of programming period 2007-2013 1.3 billion EUR (24.4 %) and certified expenses amounted to 7.4 % only. (Ministry of Regional development, 2012)

Since 2012 these figures improved dramatically. Ministry of Regional Development in their report proposed appx. 30 measures, which should help in more effective drawing of funds. These measures covered areas of rule n+2/n+3, absorption capacities, large projects or administrative capacity. (Ministry of Regional development, 2012)

In January 2016 the figures show significant improvement, which is presented in following chart n.16. The chart shows the phases of financial drawing during the programming period 2007-2013 within the OP Environment in the Czech Republic. Phases are presented with a value and with the percentage of the total allocation for this operational programme and this programming period. All the values were converted from CZK to EUR by conversion rate 27 CZK/EUR, therefore the total allocation is not exactly the same, like the allocation presented in table 8.

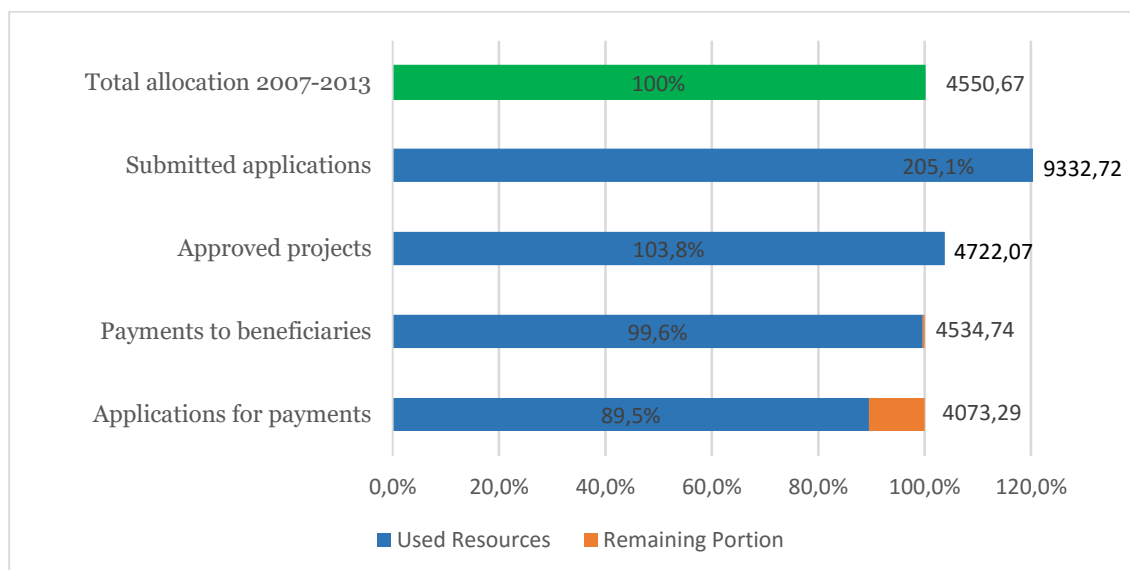


Fig. 16 Progress of financial drawing OP Environment (million EUR)
Data source: Ministry of regional development, 2016b; edited by author

Authorities have received till the 1st January 2016 applications in the total amount of 9332.72 million EUR. This financial figure represents 205.1 % of the allocation.

From this amount projects of 4722.07 million were approved and signed. Beneficiaries already received 99.6 % of the allocation, which accounts for 4534.74 million EUR.

Paying and Certifying Body at the Ministry of Finance has requested from the European Commission payments for the 89.5 % already, which is 4073.29 million EUR.

To summarize, we have started with 26 operational programmes, which were further separated into eight thematic operational programmes and seven regional operational programmes. Single operational programme Environment with the allocation of more than 4.5 billion EUR from EU has 8 priority axis, which are further divided into 17 areas of intervention, where there are 14 categories of possible applicants with selection of possible participation.

Slovakia – OP Environment

Operational programme Environment is focused on improvement of the environment, including rational use of resources through the construction and improvement of environmental infrastructure of Slovakia. The programme should strengthen the environmental aspect of sustainable development. (Ministry of Environment of the Slovak Republic, 2007)

Managing authority of OP Environment is Ministry of the Environment of the Slovak Republic. The programme has 7 priority axis (European Commission, 2016b):

- Priority Axis 1 – Integrated Protection and Rational Utilization of Water
- Priority Axis 2 - Flood Protection
- Priority Axis 3 - Air Protection and Minimization of Adverse Effects of Climate Change
- Priority Axis 4 - Waste Management
- Priority Axis 5 - Protection and Regeneration of Natural Environment and Landscape
- Priority Axis 6 - Technical Assistance
- Priority Axis 7 - Development of flood warning and forecasting system

Priority Axis 1, 2, 4 and 7 was financed from ERDF fund, while the rest belonged to Cohesion Fund. Total allocation for the programme is 1.82 billion EUR from the EU. Together with a national contribution of 321 million EUR it equals to 2.1 billion EUR. (European Commission, 2016b)

Share of the individual priority axes of the OP Environment in Slovakia is shown in following pie chart.

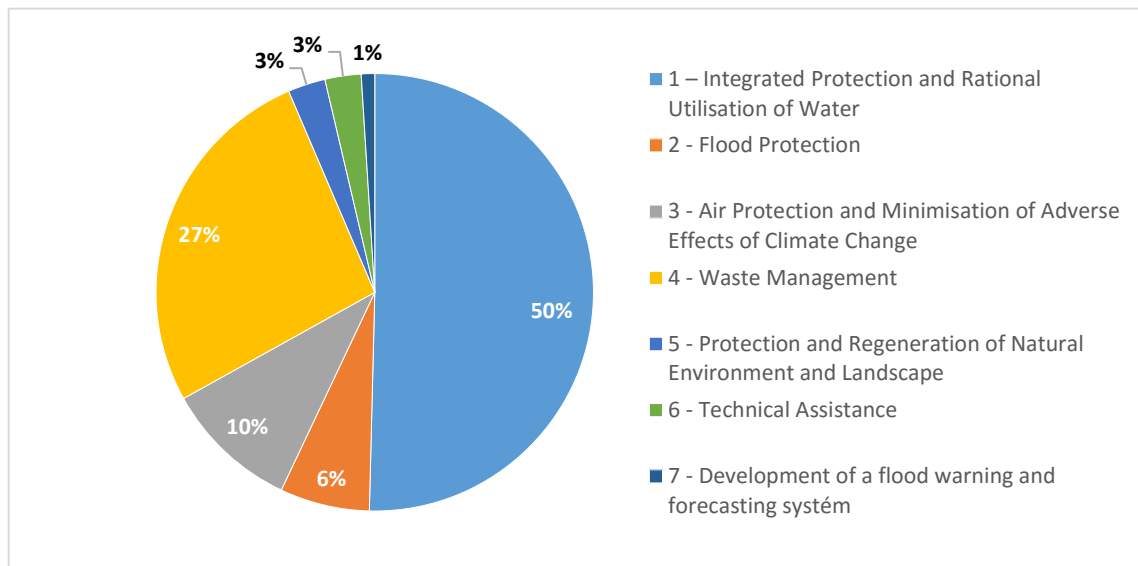


Fig. 17 Share of individual priority axes of the OP Environment SK
Data source: European Commission, 2016b; edited by author

Half of the OP Environment budget was determined for priority axis 1 – Integrated Protection and Rational Utilization of Water with three areas of intervention (Ministry of Environment of the Slovak Republic, 2007):

- Drinking water supply to citizens from public drinking water supply network
- Municipal waste water collection and treatment pursuant to SR commitments towards EU
- Facilitation of adequate underground and surface water quality monitoring and evaluation

Priority Axis 2 – Flood Protection with 6 % share of OP Environment had Preventive flood protection measures and Development of flood warning and forecasting systems intervention areas. Similarly also 10 % share of priority axis 3 covers two areas of intervention, whereas 27 % share of priority axis 4 includes five intervention areas.

All together seven priority axis of OP Environment of Slovakia includes 14 interventions areas (Ministry of Environment of the Slovak Republic, 2007). Total budget for OP Environments with division into individual programming years is shown in following table.

Tab. 9 OP Environment in 2007-2013 (million EUR)

Year	Structural Funds (ERDF/ESF)	Cohesion Fund (CF)	Total=ERDF/ESF + CF
2007	32	84	117
2008	31	138	170
2009	30	201	231
2010	28	285	314
2011	30	307	337
2012	33	315	348
2013	42	237	279
Total 2007-2013	230	1 569	1 800

Data source: Ministry of Environment of the Slovak Republic, 2007; edited by author

Total 1.8 billion EUR is available. This amount is divided into programming years, where the highest available budget was in 2012 with 348 million EUR both from Structural and Cohesion fund. Cohesion fund provide total more than 1.5 billion EUR and Structural funds 230 million EUR.

In December 2015 Slovakia had still problems with the drawing from EU funds. Progress of financial drawing of OP Environment till 31st December 2015 is shown in following picture.

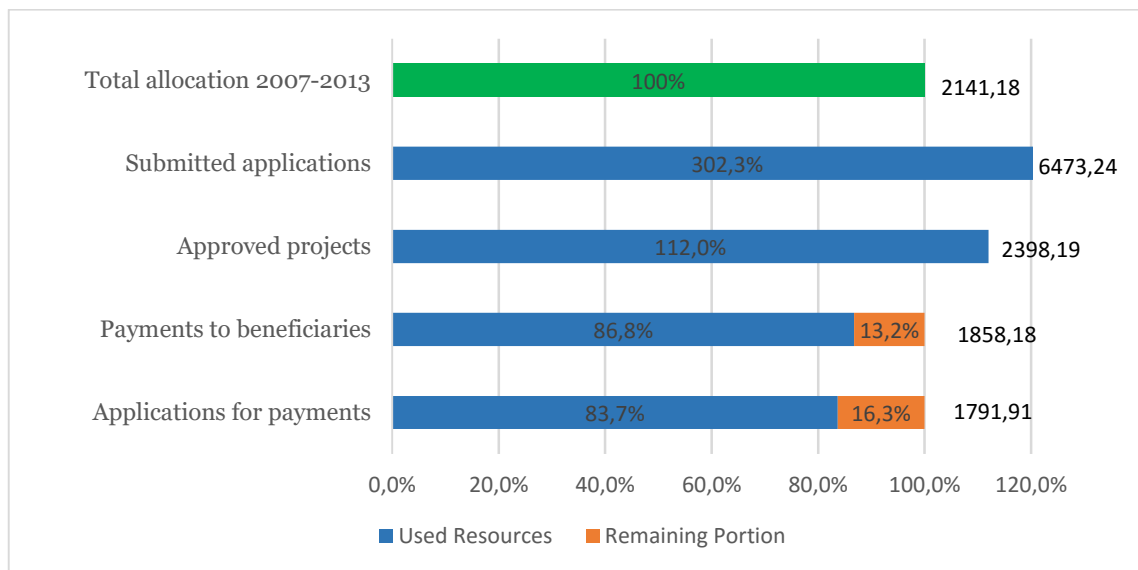


Fig. 18 Progress of financial drawing in Slovakia - OP Environment (million EUR)
Data source: NSSR SR, 2016a; edited by author

We can see that while the authorities approved projects for OP Environment of total value 2398.19 million EUR, only appx. 77 % (86.8 % of total allocation) of this amount was paid to the beneficiaries. The Czech Republic paid to beneficiaries already 99.6 %. Paying and certifying authority has sent till end of 2015 to Brussels requests for 1791.91 million EUR, which is equal to 83.7 %. The Czech Republic in appx same time sent to Commission requests for 89.5 %.

Similarly to the Czech Republic, also the Slovakian programming period includes many operational programmes. Total allocation 13.38 billion EUR was distributed through 11 operational programmes, where 2 of them were regional and 9 of them thematic. OP Environment with 2.14 billion EUR was divided into 7 Priority Axis and 14 areas of interventions.

Estonia - OP for the Development of the Living Environment

OP for the Development of the Living Environment focuses on enhancing the quality of life in social and environmental terms. Therefore it is not strictly oriented on Environment like other two operational programmes of the Czech Republic and Slovakia. Estonian OP for the Development of the Living Environment focuses on water, wastewater and solid waste management. Furthermore it supports an improvement of environmental protection by devoting resources to environmental education and continuous monitoring. This OP invests into infrastructure for services in a large number of local communities, in order to solve social issues, which hinder economic development. Other investments were supposed to build the infrastructure of vocational training, boarding schools, and schools for students with special needs and others. Part of the budget is dedicated to modernization and optimization of the hospitals net-

works so better and more accessible services may be possible. (European Commission, 2016b)

Managing authority of all the programmes, in terms of creation and update of legal framework, disbursement of payments and execution of audits, is the Ministry of Finance of the Republic of Estonia. Implementation of the OP for the Development of the Living Environment is managed by Ministry of Environment, which serves also as an intermediate body for structural assistance. The programme consists of eight priority axis (European Commission, 2016b):

- Priority Axis 1 - Development of water and waste management infrastructure
- Priority Axis 2 - Development of infrastructures and support systems for sustainable use of the environment
- Priority Axis 3 - Development of energy sector
- Priority Axis 4 - Integral and balanced development of regions
- Priority Axis 5 - Development of education infrastructure
- Priority Axis 6 - Development of health and welfare infrastructure
- Priority Axis 7 - Horizontal technical assistance
- Priority Axis 8 - Technical assistance

Priority Axis 1 is financed from Cohesion fund, whereas remaining axis receive funding from ERDF. OP for the Development of the Living Environment administer 1.5 billion EUR from European Union. If we add appx. 230 million EUR from national resources of Estonia, we get the total budget of 1.8 billion EUR. (Rahandusministeerium, 2016)

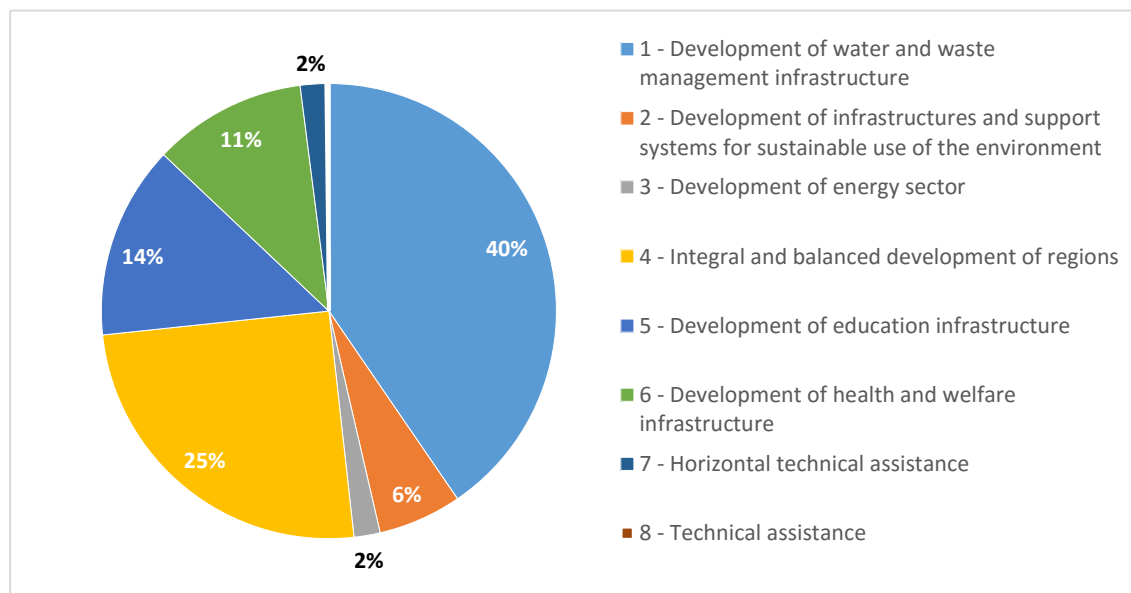


Fig. 19 Individual priority axes - OP Development of the Living Environment
Data source: European Commission, 2016b

The previous pie chart introduces the share of individual priority axis of the total budget of the Development of the Living Environment programme. 40 % of all resources belongs to the priority axis 1 – Development of water and waste management infrastructure. Priority axis 2 – Development of infrastructures and support systems for sustainable use of the environment administer 6 % of the allocation. Second biggest share of 25 % serve to Integral and balances development of regions and 14 % belongs to development of education infrastructure.

Distribution of the allocation according to the programming year and the source of resources is displayed in following table.

Tab. 10 OP Development of Living Environment, 2007-2013 (million EUR)

Year	Structural Fund (ERDF)	Cohesion Fund (CF)	Total=ERDF + CF
2007	123	68	191
2008	117	74	192
2009	122	80	203
2010	132	88	220
2011	111	96	207
2012	152	104	257
2013	162	113	276
Total 2007-2013	922	626	1 548

Data source: Republic of Estonia, 2010; edited by author

OP for Development of Living Environment administered 1.5 billion EUR in total. Cohesion fund provided 626 million and ERDF 923 million EUR. The highest amount for funding of this programme was available in 2013 with 277 million EUR. The available allocation in Estonia was every year increasing (with small exception in 2011).

Following chart introduces the progress of financial drawing in Estonia during the programming period 2007-2013. More precisely state of implementation of the operational programme for the Development of the Living Environment.

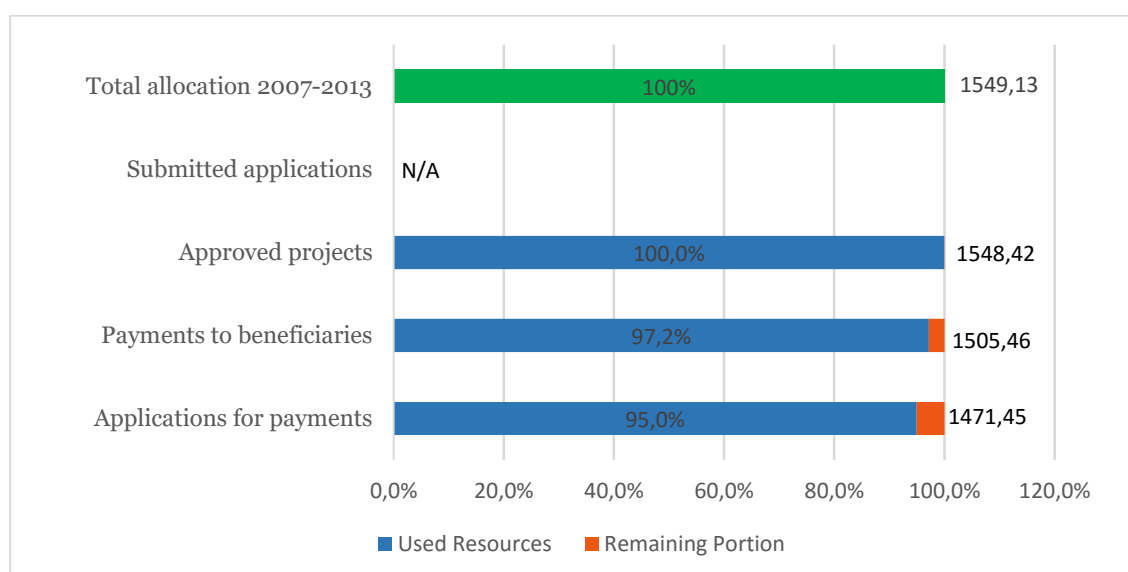


Fig. 20 Financial drawing - Development of the Living Environment (million EUR)
Data source: Rahandusministeerium, 2016; edited by author

Estonian authorities approved and signed proposals in overall amount of 1548.92 million EUR. This figure account for almost 100 % of total allocation, which was 1549.13 million EUR. Beneficiaries in Estonia till end of January already received 97.2 % of all the resources and the paying and certifying authority already requested for 95 % of total allocation. These figures are very similar to the Czech Republic, where beneficiaries received 99.6 % and paying and certifying authority send requests for 89.5 %. Certified expenses in the Czech Republic therefore does not reach those in Estonia, but amounts to higher percentage than in Slovakia (83.7 %)

4.2 System analysis

The system analysis provide potential source of problems in funding of the Czech Republic with comparison of Slovakia and Estonia. This part will mainly focus on overall funding, since the problems usually stem from the system itself.

4.2.1 Timeline

In order to be able to detect possible problematic areas of funding, it is necessary to introduce the timeline of strategic programming documents for the period 2007-2013. These documents were introduced in the Literature Review of this thesis.

Each Member states draw up their national strategic priorities and planning for next programming period on the basis of Community Strategic Guidelines. These Guidelines for Cohesion policy were adopted by the Commission Council decision (2006/702/EC) on the 6th of October 2006.

National development plan of the Czech Republic, which is a fundamental document in defining of orientation of a Member state in current programming period, was approved by the Czech government on 22nd February 2006.

According to the Council regulation (EC) No 1083/2006, every member state has a duty to propose a National Strategic Reference Framework, which is later approved by the Commission. The following table presents the dates of proposals by the Member states and approvals of the Commission.

Tab. 11 State of play - National Strategic Reference Framework

Country	Population (million)	Date of reception NSRF by the Commission	Date of decision on NSRF	Number of expected OP	Total allocation (million EUR)
Czech Republic	10.36	5 th March 2007	26 th July 2007	17	26 692
Slovakia	5.44	21 st December 2006	17 th August 2007	11	11 588
Estonia	1.32	5 th February 2007	13 th August 2007	3	3 456
Malta	0.4	21 st November 2006	20 th December 2006	2	855
Greece	10.65	26 th January 2007	28 th March 2007	14	20 420
Denmark	5.45	29 th November 2006	16 th April 2007	2	613

Data Source: Ministry of regional development, 2016f; edited by author

Government of the Czech Republic (2006) in the Resolution no. 1477 from 20th December 2006 approved the National Strategic Reference Framework of the Czech Republic for programming period 2007-2013. According to the expected schedule, the Czech Republic was supposed to approve the NSRF eight months sooner in April 2006! The NSRF was handed over to the Commission on 5th of March 2007. Expected submission was however planned on October 2006, which was obviously not possible, since in that time, it was not even approved by the Czech government. The Czech Republic was therefore one of last EU countries in submitting the NSRF to the Commission. Czech National Strategic Reference Framework was finally approved on 26th of July 2007. (Ministry of regional development, 2016e)

If we compare this date with Estonia and Slovakia we get positive result, since the Czech Republic was the first to be able to start drawing from EU funds among these three countries. Even though Slovakia handed over to Commission the Slovakian NSRF already in December 2006, which was far sooner than the Czech Republic, or even Estonia, which submitted the document on the 5th February 2007.

It is necessary to note, that the position of the Czech Republic was not as bright as it might look like from the comparison with Estonia and Slovakia. If we look on other three countries, which were added to the table, we will find out, that the Czech Republic, Slovakia and Estonia were very late to start with the implementation of EU funding. First country of the whole Europe, which handed the NSRF to the Commission and receive positive statement was Malta. A small island with appx 400 thousand inhabitants and two proposed operational programmes for total allocation of 855 million EUR. Danish NSRF was approved on 16th April and relatively comparable country to the Czech Republic Greece, submitted the document on the end of January 2007 and on the end of March the Greek NSRF was approved by the Commission.

The question is, why the Czech NSRF was approved so late? Possible reasons for late submission and approval may arise from positional document of European Commission, which expressed their objections against the first draft of NSRF in an official letter to Czech government on 21st of September 2006. Commission in the letter positively commented on the development in preparation of the NSRF during last year and that the socio-economical and SWOT analysis, implementation system and the role of the Ministry for Regional Development and Ministry of Finances in the programming period 2007-2013 is very well processed. NSRF did not sufficiently described the experiences from previous programming period 2004-2006, the analysis was shallow and not enough elaborated. Commission sees other imperfections in inappropriate information system, which should be working as soon as possible, and by the operational programmes and the priority axis. According to the Commission, there is high chance that the actions will be overlapping. NSRF should more precisely specify, which activities will be supported by individual priority axis. The Czech Republic should also simplify the financial channels and strengthen the administrative capacity, in order to be able efficiently draw the resources from EU funds. (Ministry of regional development, 2016e)

Czech government approved the NSRF despite the objectives of the Commission on 20th December 2006 and argued that it is impossible in this level of process to change the architecture and the amount of operational programmes. The same argumentation was used also in July 2007, when the European Commissioner Mrs. Huebnerova, responsible for negotiation with the Czech Republic, repeated the previous stand of the Commission. Negotiation team answered that it is unreal to radically change the NSRF, mainly the architecture and the number of operational programmes, which should have been lower. According to the Czech delegation these changes would postponed possible funding at least by one year, therefore the Czech Republic accepted this letter only as a warning

and will not change anything. However the question of administrative capacity will be according to the Czech officials improved in medium-term period. (Ministry of regional development, 2016e)

Delay in preparation of documents was also influenced by the government crises in 2006. After the legislative elections, which did not emerge any significant parliamentary majority, the government of Mr. Topolánek in October 2016 did not received the declaration of trust from the Chamber of deputies. This politically unstable period ended with the second cabinet of Mr. Topolánek in January 2007 and it clearly had an impact on preparation of strategic documents for programming period 2007-2013.

Operational programmes

The Czech operational programme Environment was approved by the European Commission on 20th December 2007. Operational Programme Environment in Slovakia was approved by EC on 8th November 2007, therefore more than one month sooner than the Czech one. Estonian Operational Programme for Development of the Living Environment was approved on 10th October 2007. Despite the fact that Czech NSRF was approved as the first Framework among these countries, Czech OP Environment was approved as the last programme out of these three.

Before the first calls will be introduced, it is necessary to introduce the problematic of calls for proposals.

Calls for proposals

Possible issues, which may effect on the funding are the types of calls. We distinguish continuous or single intake of proposals. **Continuous calls** have given start of receiving of proposals and ends either at the end of the programming period, or last till the announcement of Managing authority. Applications are being accepted and evaluated continuously. These calls usually last months or even years. The result of the call is approved or disapproved project. (Ministry of regional development, 2016d)

Continuous intake is easier for applicants to schedule and also easier to administer, however it has also disadvantages. All applications, which will be above the standard will receive the funding, until the resources will run out – this may be hard to foresee. Also these calls require continuous capacity of authorities to administer the process. (European Commission, 2016d)

Single intake of proposal (time limited) on the other hand ends with a ranking of all projects according to the quality. Single intake call last usually couple of weeks and beneficiaries put forward their proposals within current round. (Ministry of regional development, 2016d)

Advantage of single intake is the quality of projects. Only the best quality proposals will receive a grant, however when a beneficiary miss the target, he will be out. Second of all if the authorities receive low number of proposals, or

the proposals will have low quality, the funds may be not fully allocated. (European Commission, 2016d)

The Czech Republic introduced first call for OP Environment on 28th of June 2007. It was single intake of proposal with total amount of 20 billion CZK (appx. 740 million EUR). First call focused on 5 out of 7 Priority Axis. Applicants were able to send their proposals between 3rd of September and 26th of October 2007. State Environmental Fund of the Czech Republic received for this call almost 700 proposals in the total amount of more than 18 billion CZK (667 million EUR).

Second call was announced 4 months after the first call on 29th of November 2007. State Environmental Fund was receiving the applications from 19th of October 2007 till 31st January 2008.

Both of first call were able to be announced even before the official approval of the OP Environment. It was due to the fact, that these two calls were focused on those Priority Axis, which were already negotiated with the European Union, so the managing authority did not expect any further changes. The third call had to wait for the approval of the OP, since it was not clear, if there will be any changes. (The Operational Programme Environment, 2016)

OP Environment of the Czech Republic announced in programming period 2007-2013 in total 66 calls, where most of them were single intakes. For example in 2015 there were only 2 continuous intakes of proposals and the year before there were only 3 of them. Last call for OP Environment was closed on 19th July 2015. (The Operational Programme Environment, 2016a)

Slovakia announced first three calls on 18th January 2008. In that time, second call of the Czech Republic was already ending. According to the OP Environment (2016) information about these calls were released in advance in December and January. Slovakian first calls were single intakes with deadline of 18th April 2008 a total available amount of 54 million EUR. These calls were not as successful as they could be. Slovakia received 47 applications, where 25 was rejected (53 %). Among the reasons for rejecting those applications were unfulfilled criteria of rightfulness and incompleteness of the applications.

Slovakian OP Environment announced during the programming period 2007-2013 65 calls for proposals. Last call was announced on 30th July 2015 with the deadline on 5th of November 2015. (OP Environment, 2016)

4.2.2 Administrative capacity

One of the key factors for contribution to the successful implementation of Cohesion Policy is an administrative capacity, which manages and invests the Funds and EU co-financed programmes. The problem occurs, when the authorities, or we can say public administrations, are weak. It leads impossibility to deliver the expected benefits of the Cohesion policy to people. The key factors of Administrative capacity are according to the European Commission (2015b):

- **Structures** - it is necessary to clearly assign the responsibilities, tasks and functions.

- **Human resources** – properly trained staff, recruiting and retaining of workforce.
- **System and Tools** – it is not only about the human resources, also IT systems, manuals and rules are necessary.
- **Overall Governance** – by overall governance are mentioned arrangements for accountability or for example safeguard against the corruption.

Structure and complexity

Since the Cohesion policy of EU does not specify single model of implementation, there are significant variations between administrative and resource allocation systems. The structure and responsibilities of the management of operational programmes depends on the actual arrangements of implementations, which are applied within institutional context.

European parliament (2012) in terms of targeting the applicants distinguish federal systems, regionalized and centralized systems. Federal systems are for example in Austria or Germany, where self-governing states implement the Cohesion policy with their own budgetary power. Regionalized systems includes intermediate levels of governments with selected budgetary power. These are countries like Spain, Italy or United Kingdom. Finally centralized systems, which are divided further based on authority involvement. The Czech Republic for example delegate main operational activities to regional authority. Estonia differs from the Czech Republic, since they concentrate the powers on the national level. The type of the system may influence the implementation by determining the interaction sub-regional, regional and national level. However according to the European Parliament, we cannot say that any of the system would have an unspoken advantage for targeting applicants with higher effectivity.

On the other hand Zahradník (2013) sees the problem of the Czech Republic in decentralization of implementation structure. And advantage is the regional and sector power, so that the specifics of regions and sectors are respected. However this brings also disadvantages, which is complicated coordination and management of single programmes. Zahradník also mentions, that the Czech Republic would like to return to more centralized systems but to keep the advantages of decentralized system as was explained previously.

The Czech Republic has also complicated managing process. This process is not united and it seems not to be transparent. (Zahradník, 2013)

Application for funding also require large amount of compulsory annexes, which differ from one call to another. The level of system complication together with possible hindering of transparency and contributing to possible cheating by the Czech OP Environment shows also the amount of updates/versions of programming and implementation documents. Opzp2007-2013.cz nowadays provide in the folder of actual documents two versions of implementation document. One was approved on 18th June 2015 and published in September 2015. Second version was published on 19th June 2016. Since the beginning of the

programming period 2007-2013, there is over 20 versions of implementation documents and 5 versions of programming document (last version was accepted on 18th of December 2014).

Slovakia provide 5 versions of programming documents and 21 implementation documents in OP Environment. Last implementation document was approved on the 15th of December 2015 and programming document on 28th of October 2015 for programming period 2007-2013. (OP Environment, 2016)

Estonian programming document unfortunately does not say, which version it is and the websites does not provide archive - the year of last release is 2010.

Human Resources

According to Šumpíková, Pavel and Klazar (2002), the staffing of Managing authorities is one of the most central issues in the management of any project execution plan. Numbers of necessary staff vary widely from one authority to another. It depends on the type of programme and how tasks are delegated. The common issue by Member states is the ability to find and retain highly educated people. These people should have strong background in law, finances or economics. Whether the authority will be successful depends on his attractiveness as an employer.

According to the European Union, the Czech Republic suffer of high fluctuation of staff, which is also negatively affected by political changes. Among other problems belongs extensive outsourcing of tasks, insufficient analysis of human resources within different operational programmes or missing public services code for employees (came into force on 1st January 2015, who are responsible for the implementation of EU funds. (European Commission, 2011a)

The above mentioned public services code for employees already came into force on 1st January 2015. (Parliament of the Czech Republic)

Ministry of Regional Development in terms of human resources uses FTE methodology. It is the ratio of the total number of paid hours by the number of working hours in that period. For example if there are 3 employees, working 20, 20 and 40 hours during a week, than the FTE will be $80/40 = 2$ employees working fulltime (if fulltime means 40 hours). Average number of employees in the Czech Republic for managing authority of OP environment was in 2011 50.5 employees. Estonia had in 2011 23.2 FTEs, which means that 23.2 employees were working full time on average (Strukturifondid, 2011). By the Czech intermediate body, which is in case of OP Environment State Environmental fund, it was 244 employees. Fluctuation in 2011 on the level of OP Environment was stable with 8.9 %. Fluctuation on the level of managing authority is rather unstable – 33.6 %. (Ministry of regional development, 2012)

High fluctuation ends in losing of valuable knowledges about the implementation and the program itself, together with a loss of hard-gained experiences during the period and before. This problem probably stems from low attractiveness of public sector as an employee. The only solution is to become

more attractive for potential employees by offering them the same advantages, which they find by the private sector.

One of the problem Slovakia is nowadays dealing with are external capacities. *“I see as a risk that most ministries rely upon external consultancy capacities when starting up the new programming period because such a solution does not contribute at all to building internal know-how“*, commented for The Slovak Spectator (2016) EU Funds expert partner of the consultancy company Centire Mr. Tamás Szóke. This is probably bigger problem than high fluctuation, because when you hire or use external capacities it will never bring you the experiences and knowledges as you would gain by doing it alone. If we talk about high fluctuation, there is still some percentage of people, who stays at the authority and provide the knowledges and experiences. This unfortunately does not happen when you outsource.

The Czech Republic was arguing that having too many employees or improvement of work offers bring high cost to the budget. However if there is not sufficient number of office worker, Czech Republic may have even larger costs, if it will be unable to gain the financial resources from Structural and Cohesion funds.

System and Tools

Estonia does not belongs only to one of the best-performing countries in terms of structural drawing, but to pioneers of eGovernment. Estonia was for example first country to introduce e-residents - access to wide national electronic services and databases through digital identification cards and digital signatures. People outside Estonia can ask for e-resident in order to make investments in Estonia, establish businesses or use Estonia as an entrance country to the European Union.

Estonia started with eGovernment in 2000, when they introduced public system for tax filling. In the Czech Republic online submission of tax return was introduced in 2007 (Financial administration, 2007). Every inhabitant in Estonia older 15 years has universal ID card with digital signatures. The card works as a key to government information, services and also private-sector services (health care, banking, education or law). (Rahandusministeerium, 2015)

The Czech Republic nowadays offer only a minor pieces of eGovernment. Data box mojedatovaschranka.cz serves as a verified communication channel with official institutions and CzechPOINT@Home, which can be used for getting listing from 16 national registries such as: punishment records, information about citizens, or information about points on the driver's license. That is all, also this service requires personal qualified certificate, which the person has to pay for every year. (Portal of public administration, 2016)

The Estonian system nowadays connects 2000 services, 170 databases and in 2007 the citizens of the Estonia were first on the world to be able to vote in Parliament elections online. For better understanding how huge difference be-

tween Estonia, Slovakia and Czech Republic exist, the following picture shows the complexity of the Estonian eGovernment. (E-Estonia.com, 2016)

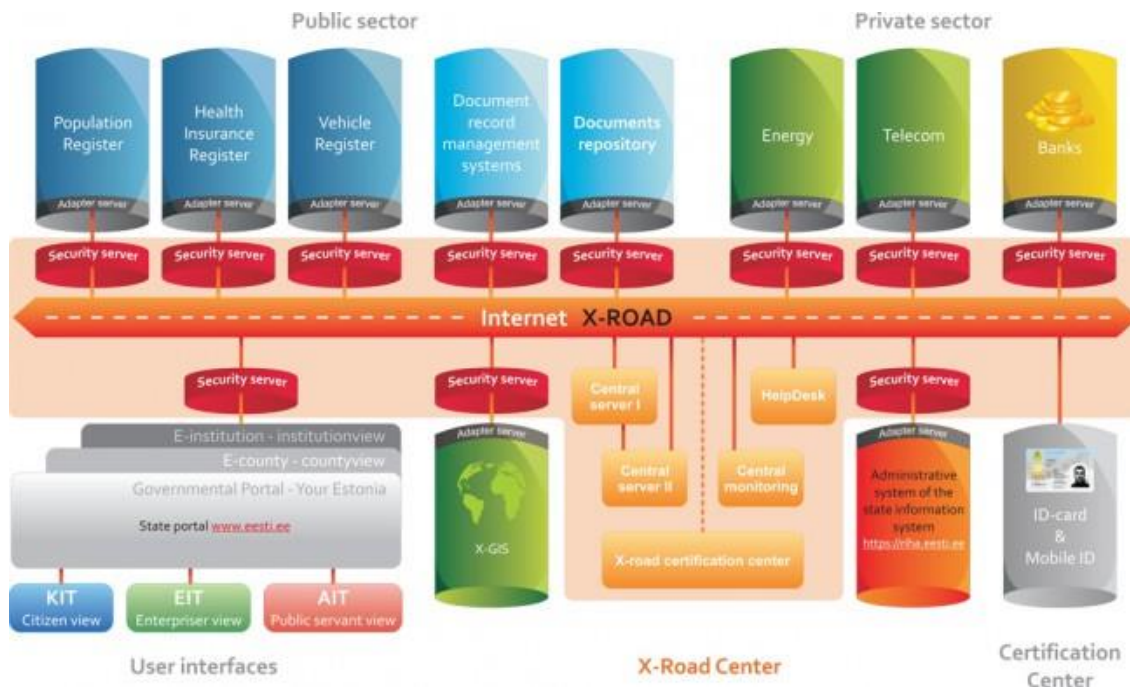


Fig. 21 eGovernment in Estonia
Source: E-Estonia.com, 2016

Estonia experience IT era also in terms of structural funds. Since 2004 Estonia has Central structural assistance IT system for all authorities and funding. The system is continuously developed and covers data about funds, calls for proposals, project application, irregularity reports, processes and others. According to the Rahandusministeerium E-services should speed up processes or for example provide data exchange point between beneficiaries and authorities. (Rahandusministeerium, 2015)

State Environmental Fund in programming period 2007-2013 offered online submission of applications for EU Funds through the official system BENE-FILL, which already existed in previous 2004-2006 programming period. This system however does not work as a single united information system for all the operational programmes like in the case of Estonia. It is used solely on the OP Environment of the Czech Republic. (State Environmental Fund, 2016)

OP Environment of Slovakia in programming period 2007-2013 also supported electronic submission of applications for EU funds through centralized portal Itms.sk. (OP Environment, 2016)

Slovak Republic also intends to slowly transfer to eGovernment. However from last results, the implementation of new systems is lagging. In 2015, eight

years after the start of OP Informatization of society there was only small number of new online services, which should help citizens with administration with the state. Slovak president Andrej Kiska criticized Slovakia for its progress in eGovernment on the ITAPA congress, where he said to the audience: “*I was recently in Estonia and when I looked on websites slovensko.sk after I saw how it works in Estonia, the only word I thought about was shame.*” (DenníkN, 2015)

Advantages of eGovernment are well known by the EU authorities, which would like to bring services online to the benefit of companies and citizens. European Commission (2015d) is evaluating the progress of EU countries in last years in 2015 report on Future-proofing eGovernment for a Digital Single Market. The results of the European eGovernment Benchmark is visualized in following picture.

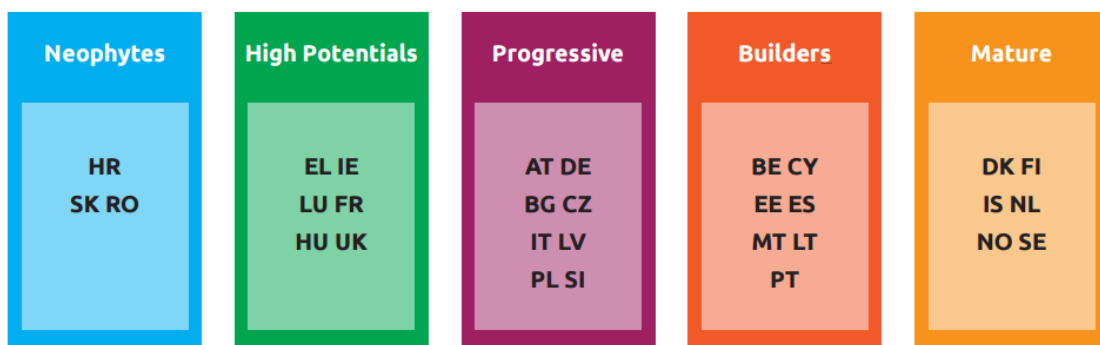


Fig. 22 eGovernment maturity
Source: European Commission (2015d)

The columns in previous picture signify groups of countries with same eGovernment maturity. The countries are presented by their shortcut.

The first blue group, which includes also Slovakia, represents countries with low scores. These countries insufficiently take advantage of opportunities of information and communication technologies (ICT) and depend on significant efforts, which are necessary for movement in eGovernment maturity. (European Commission, 2015d)

Green group represents countries with high potential, but due to the low digitization, the public administration processed does not reach the efficiency and possible cost savings. Citizens use disposable online services, since they are aware of potential of eGovernment. (European Commission, 2015d)

The Czech Republic together with Germany, Italy and others belong to progressive group. These countries are characterized by existing constraining factors, which hinder the countries from full distribution of satisfying eGovernment services. Instead of focusing on the government’s requirements and processes, the countries should in their innovation plans and policies focus more on the citizens and their needs in terms of service design and delivery. Public satisfaction will increase and the costs will be reduced. (European Commission, 2015d)

Red column of Builders besides others includes Estonia. In these countries, the innovation process was carried out efficiently, but the interactions with government through ICT is not yet common practice. (European Commission, 2015d)

Last group marked as mature stand for countries (mostly northern countries of Europe) with successful process of innovation. These countries fully use the advantages of ICT, eGovernment services are used on daily basis with high level of satisfaction for the user. (European Commission, 2015d)

Corruption

Transparency International publish every year so called Corruption Perceptions Index, which indicates the perceived level of the corruption in public sector on a scale of 0 (highly corrupt) to 100 (very clean). The following table shows the results of the Czech Republic, Slovakia and Estonia. (Transparency International, 2015)

Tab. 12 Corruption Perceptions Index 2012-2015

Country	2012 score	2013 score	2014 score	2015 score
Czech Republic	49	48	51	56
Slovakia	46	47	50	51
Estonia	64	68	69	70

Data Source: Transparency International, 2015; edited by author

The worst results with 51 in 2015, 50 in 2014, 47 in 2013 and 46 in 2012 has Slovakia. In 2015 Slovakia occupied 50th place out of 168 countries and territories on the world. The Czech Republic is on 37th place with 56 points, which is better than Slovakia, but still worse than Estonia. Although the improvement of the index over the last year is significant. Estonia belongs to those countries, which are most cleaned (in terms of corruption). It places 23rd rank out of 168 countries in the world.

According to the Member of European Parliament Mr. Mach, the corruption in the Czech Republic is evident. Mr. Mach expressed himself to the actual topic of possible fraud of Czech minister of Finances Andrej Babiš, whose company was supposed to receive grant of around 50 million CZK unfairly. In connection with subsidies, Mach mentions words like corruption, fraud and wasting of resources. (Parlamentnilisty.cz, 2016)

What also helps the corruption are internal regulations. These regulations represent certain roadmap for every participant in implementation process -

beneficiaries, management authorities, supervisory bodies and investigation bodies. These regulations should be fully concise with national and European legislation. Implementation of EU funds become more difficult, when there are contradiction between European and national legislation and different sets of regulations, including changes. These were already introduced as potential risk in previous part Structure and complexity of OP Environments, which showed that programming and implementation documents for OP Environment in Czech and Slovak Republic were changed many times. These may than provide planned masking for potential fraud and misuse. For example the Czech Republic has 26 Operational programmes and each of them has different set of internal regulations. This makes the funding extremely difficult both for recipients and for the auditing bodies. Also relatively weak position of central management bodies in beginning of programming period 2007-2013 did not help the situation. (Transparency International, 2013)

The situation with changes in regulations and operational documents was already introduced in one of the previous

4.2.3 Transparency

Among other possible problem of funding, the Transparency International mentions also transparency. Transparency of processes, which are connected with distribution of EU funds are important. The public should be able to get information about supported projects under certain conditions and how much these projects cost. Public in the Czech Republic has an opportunity to use websites like FondyEU.cz or DotaceEU.cz, where they may find these information. However, the transparency does not fully work by the selection process.

Available public information about individual operational programmes varies a lot. The information about calls for proposals, guidelines and similar information are easily available. On the other hand the information for public monitoring of EU funding is rare. According to the Transparency International, there is only a little of information about the selection and granting process, ratio of supported and rejected projects, or for example information about evaluation procedures or why certain projects were not approved. (Transparency International, 2013)

The problem arise from vague Commission regulation (EC) No 1828/2006 of 8 December 2006. This regulation does not set any standard, which would regulate publishing of these information. Therefore every single operational programme, including OP Environment, publish data in a scale and format as he chooses. Among the overall data tables, the institutions publish chaotic databases with unclear lines and files. Sometimes even the dates of documents are missing, or the data are not updated. (NFPK, 2013)

From my point of view, the data on official pages Opzp2007-2013.cz of OP Environment are very well sorted. Website offers large database of all the documents, which concerns the OP Environment. There are actual and passed calls, press releases, annual reports, guidelines, regulations, structure of OP, sum-

mary of approved and disapproved projects from every call and others. Unfortunately there is missing overall summary of all the rejected projects, since summary of approved projects is available and updated. These all information is however only in Czech language. The reduction of information after the change of language is visible on the next picture:



Fig. 23 Opzp2007-2013.cz in Czech and English

Out of 16 entries in a menu in Czech version we get after the translation only 6. In English there are only basic information about the OP, including Priority Axis and areas of intervention. Folder documents does not any longer contain detailed regulation, instructions, national documents, not even the list of announced calls and rejected projects, or even the archive. These information must the visitors search in annual reports and hope, that they will contain all necessary information. For example rejected projects are not included.

Slovakian official webpages of OP Environment does not support English at all (15th May 2016). The foreign visitor will not get any information from these websites.

Estonia does not provide any special webpages, which would be focused solely on the OP for Development of Living Environment. The data has to be searched on couple of website, including Eurostat.com, European Commission, Etruktuurifondid.ee or the pages of Ministry of Finances Fin.ee. Estonian websites provide English translation, but only with minimum of information. This situation therefore does not help to the analysis and availability of the information. Even the official strategic report 2012 of Estonia for programming period 2007-2013, which is also published on the webpages of the European Commission, is solely in Estonian language.

4.2.4 Management and control systems

In the first half of 2012 the Czech Republic had serious problems with refund of financial resources from EU. Starting in March 2012 the European Union suspended receiving of requests for payments from those operational programmes, which were funded from ERDF or CF. The problem was in insufficient management and control system by some of the OP. This situation had serious effect on the rule N+3 rule for year 2009. In case the rule N+3 would have not been fully reached, the Czech Republic would lose remaining resources for given year.

OP Environment had troubles also in 2010. On 22nd December 2010 the Ministry of Finances, which is the Paying and Certifying body, suspended the certification of expenses of OP Environment. The reason was the reasonable suspicion of corruption in the State Environmental Fund of the Czech Republic. Due to this fact the State Environmental Fund was running out of the resources for payments to beneficiaries. The certification was restored nearly one year later on 5th October 2011. (Ministry of regional development, 2016b)

Second suspension of certification of OP Environment was in already mentioned year 2012. Certification process was frozen for 7 months between 14th March and 15th October 2012.

Suspension of process of certification has also negative impact on the national budget, since drawing of resources from EU funds works on the principle of pre-financing from the national budget.

European Commission however did not stop payments only to the Czech Republic, the same problems were facing also in Estonia and in Slovakia. In end of 2011, the Commission was criticizing the control over the resources in Estonia, which had to be improved (Baltic News Network, 2011). In the same year the Commission stopped payments also for OP Environment in Slovakia. Commission was not accepting requests for payments for this OP from 15th July 2011 till 28th June 2012 (OP Environment, 2016).

4.2.5 Financial corrections

Financial corrections are withdrawals of funding, which occurs when payments to projects co-financed by EU have been made in error due to irregularities (e.g. fraud). By financial corrections is understood cancelling all or part of an EU contribution to an operational programme or an operation. (Ministry of regional development, 2016d)

According to the European Commission (2015c) the Czech Republic together with Greece belongs to those countries with the most significant financial corrections. In the programming period 2007-2013 had Greece financial corrections in total amount of 64.91 million EUR and the Czech Republic 61.28 million EUR.

Number of financial corrections in the Czech Republic, Slovakia and Estonia in programming period 2007-2013 is graphically prepared in following chart.

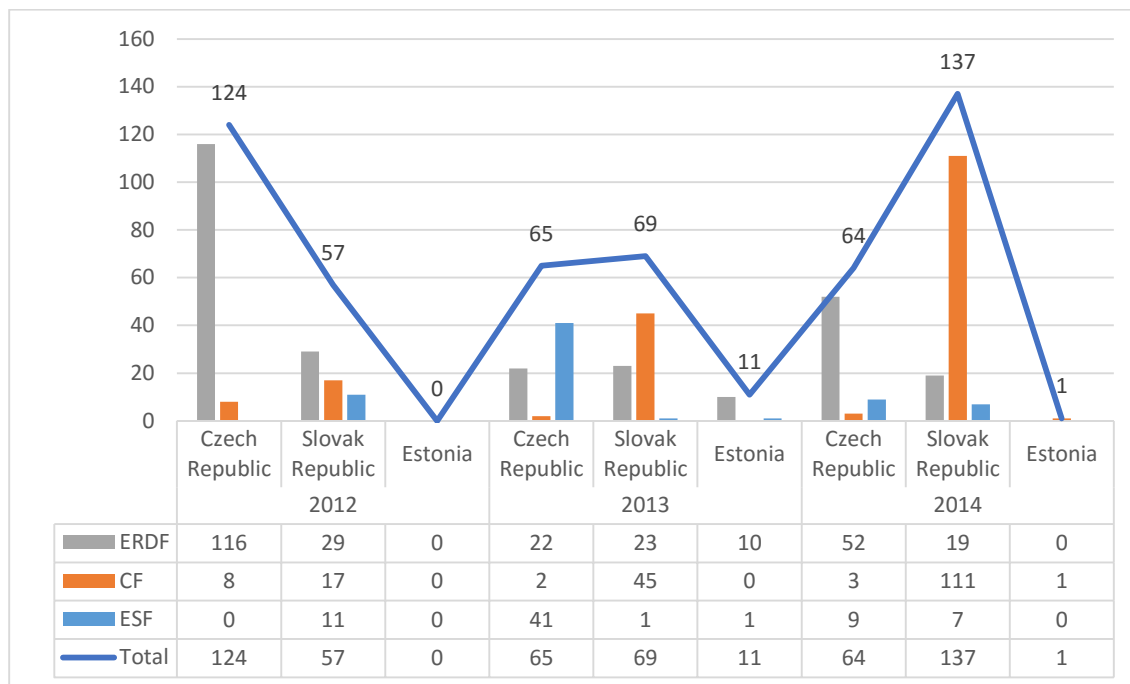


Fig. 24 Breakdown of financial corrections in 2012-2014
Source: European Commission, 2016f, edited by author

The chart shows the distribution of financial corrections in chosen years, sorted according to the country and the fund. In 2012 Czech Republic had in total 124 financial corrections, whereas Slovakia had 57 and Estonia none. In 2013 the numbers were more balanced, since Czech Republic had 65 and Slovakia 69. Estonia had however only 11, with 10 by ERDF and 1 by ESF. In 2014 most of the corrections had Slovakia – 137 and Czech Republic with 64 corrections. The Czech Republic had most of the corrections from ERDF with total amount of 190 for these three years. In total 253 corrections in Czech Republic and 263 in Slovakia were made during these three years of programming period. Estonia is evident winner of this part of the analysis, since there were made only 12 corrections in 2012, 2013 and 2014.

4.3 Evaluation of the analyses

From the results of Quantitative analysis, we can see that OP Environment in comparison with overall drawing of the Czech Republic show nowadays good results. The resources are almost exhausted and certified expenses reached almost 90 % (January 2016). Where I see significant problems in funding are large differences between phases of project process. Till May 2012 the OP Environment in the Czech Republic reimbursed to beneficiaries 24.4 % of the allocation, whereas the certified expenses were only 7.4 %. This lagging has serious impact on the national budget, since the funding works on the principle of pre-financing from the national budget. These differences were also verified by the absorption rates, which were presented in the beginning of the analysis. In 2010 the absorption rate in Estonia was already 35 %, but in the Czech Republic it was 20.4 % and in Slovakia only 18.9 %. In 2015 Estonia had already 95 % but the Czech Republic and Slovak Republic had absorption rate of 84.7 % and 85.3 %. I see the problem of low certified expenses in complicated management system and also in the suspensions of certification process of OP Environment in 2010 and 2012. The process was stopped in total for more than one and half year. European Commission also stopped payments to Slovakian OP Environment for nearly one year in 2011 and problems had also Estonia in the same year. However the problems of Estonia were minor, in comparison with Czech and Slovak Republic.

The timeline in the beginning of system analysis revealed huge delays in the preparation period of programming period 2007-2013. Czech National Strategic Reference Framework was approved by the Czech government on the 20th December 2006 – 8 months after the planned approval. On the same day, the NSRF of Malta was also approved, but already by the Commission. The Czech Republic submitted the NSRF more than two months later and after long negotiations the NSRF was finally approved on the end of July 2007. In comparison with Slovakia and Estonia it was after all a success. Managing authorities of the Czech OP Environment tried to wipe off the time loss by announcing the first calls in June 2007 - even before the approval of NSRF and OP Environment, but the reception of applications itself did not start until September.

The analysis provided also possible source of such a delay – political crisis and reproaches from the Commission on large number of operation programmes, and complicated implementation structure. Legislative elections in 2006 ended in a draw, since none of the political parties could emerge any significant parliamentary majority, the first Government of Mr. Topolánek did not receive the declaration of trust. The crisis finished, when already the programming period 2007-2013 started, in January 2007 by the second government of Prime Minister Topolánek. The second problem was insufficient preparation of the National Strategic Reference Framework by the Czech Republic. The Commission expressed their objections against it in September 2006 and one more time in July 2007. The Commission did not like the architecture and number of

operational programmes with possible overlaps, insufficient specification of intervention areas or for example the administrative capacity.

Administrative capacity was also marked as one of the key factors for contribution to the successful implementation of Cohesion policy in the system analysis. The thesis focused on the structure and complexity, human resources, system and tools, corruption, transparency, management and control systems and financial corrections.

The Czech Republic is according to the European Parliament centralized system with delegation of main activities to the regional authority, whereas Estonia concentrates the powers on the national level. However it is clearly not possible to determine, which institutional and administrative system brings more advantages. The Czech programming period 2007-2013 was specific with complicated structure of implementation and large amount of operational programmes. There were 26 operational programmes, which were further divided into 8 thematic and 7 regional programmes, where OP Environment has 17 areas of intervention with 14 categories of possible applicants. OP Environment belonged to the second biggest OP and it administered nearly 5 billion EUR. Every OP in the Czech Republic has its own guidelines and implementation and also different information system for management and monitoring of the process of gaining the funds. OP Environment uses BENE-FILL system, whereas other OPs were using also Benefit7 and e-Account service.

Slovakian programming period 2007-2013 disposed of almost 14 billion EUR in 11 operational programmes, where 2 of them were regional and the rest thematic. OP Environment with its 2.14 billion EUR had 7 priority axis and 14 areas of intervention.

In comparison with Slovakia and the Czech Republic, Estonia with the total allocation of 3.9 billion EUR belongs to the smallest country of this analysis. Estonia had only 6 operational programmes, where OP for Development of Living Environment had 8 priority axis and a budget of 1.8 billion EUR.

Different number of operational programmes require also different number of employees of public administration. One of the main problems of the Czech Republic in terms of human resources is high fluctuation of staff. Within the OP Environment the highest fluctuation is on the level of managing authority, where the fluctuation exceeds 33.6 %. Average number of employees of managing authority of OP Environment is 50.5, whereas in Estonia with the nearly three time lower budget for OP for Development of Living Environment it was 23.2 employees. Another problem of the Czech Republic, which is also problem of Slovakia is the extensive using of external capacities. These countries are losing valuable experiences and knowledges, which are later missing by the preparation and management of new programming period.

The system analysis pointed out also the excellent results of Estonia in the field of eGovernment. Estonia nowadays belongs to the leaders in electronic services. ID card with digital signatures serves as a gate to large number of services for citizens and companies, including areas of health care, banking, education or law. The situation of the Czech Republic on this field is from my point of view

lamentable. The Czech Republic nowadays provides only few services for their citizens on the Portal of Public administration and through data box Mojedatovaschranka.cz. Slovakia also tries to implement new services, but the results are not visible yet. These services cannot measure with those, presented by the Estonia. According to the Commission, the Czech Republic belongs to progressive countries, whereas Slovakia was ranked as neophyte and Estonia is a builder with efficient and innovative progress of eGovernment.

Interesting data provided the part of corruption and transparency, where Slovakia according to the Corruption Perceptions Index with 51 points belongs to the most corrupted countries among the Czech Republic (56) and excellent Estonia (70), which places 23rd rank out of 168 countries in the world. As a potential area, which helps corruption are internal regulations. If there are different sets of rules, including changes and contradictions between European and national legislation, than we open an area for corruption and frauds. Changes and updates of implementation and programming period are in the Czech Republic and Slovakia quite common. Since the beginning of programming period 2007-2013 there is 20 version of implementation document for OP Environment and 5 versions of programming document. Similarly Slovakian OP Environment has 21 version of implementation documents and 5 version of programming document. However these are only few changes, since the archives of OPs contains dozens of directives, regulations, methodologies and others. Applicant therefore needs to study every change of such a document.

Another field, which may support the corruption and frauds is the transparency. The public should be able to find necessary information for verification, which companies received the funding, under which criteria or for example which projects were rejected and why. The situation is as follows. In the vague regulation no. 1828/2006 of the Commission it is not defined, how the countries should published the information, therefore every OP and every state publish the information as it wants. Sometimes the data are very chaotic, without legends and notes or the date of publishing (period of validity). Where I see the biggest problem is the language barrier. The information, which are on the national websites are primarily targeted on the natives, thus the most of the information is in Czech, Slovak or Estonian language. Probably the lowest amount of information provide Estonia. The official websites Strukturifondid.ee, which can be compared to the Czech Strukturalni-fondy.cz or Slovak NSRR.sk provide only minimum information even in the Estonian language. After the website is switched into the English, the website provides even less information. Slovak NSRR.sk and OPZP.sk does not provide translation at all. On this level, it is necessary to lift up the position of the Czech Republic, because the provided translation on Strukturalni-fondy.cz and OPZP.cz seems to be very wide and therefore transparent. Off course the information in English are also a bit limited, but the visitor is still able to find a lot of information. The OP Environment websites are from my point of view very well sorted, they contains large database of documents and actual information about the drawing.

The final part of the analysis focused on the financial corrections, thus cancelling part or whole EU contribution to an operational programme or an operation. According to the European Commission the Czech Republic together with Greece belongs to the countries with highest number of financial corrections. In the programming period 2007-2013 Greece had financial corrections in total amount of 64.91 million EUR and the Czech Republic 61.28 million EUR. This statement was also verified through the overview of development of financial corrections between years 2012 and 2014, where corrections of Czech Republic reached staggering 253 corrections. Slovakia had in this period even more 263 corrections. Clear winner is once again Estonia, which had only corrections during these 3 years.

Executed analysis confirmed that Estonia belongs to the most successful countries in terms of drawing of funding from EU. Estonia has good results both in overall funding, where the application for payments in January 2016 reaches nearly 95 %, and also by the OP Environment where the payments in the same period also achieved 95 %. Payments to the beneficiaries amounted to nearly 98 % on the overall level and 97.2 % on the operational level. Absorption rates of Estonia during the whole programming period evince stable development, since already in 2013 the absorption rate was 81.3 %. Relatively low level of perceived level of corruption, followed by low number of corrections and low number of operational programmes makes Estonia the clear winner of this analysis. Even though I think, that the number of operational programmes could be even smaller, since the country is relatively small and the budget for structural assistance does not even amount to that in Slovakia. Possible areas for improvement has Estonia in field of transparency and accessibility of information for mostly foreign visitors, who does not have an access through e-Resident system. On the other hand extraordinary results show Estonia in the field of public administration and management. Thanks to the long-term development in IT services, eGovernment in Estonia nowadays belongs to the absolute elite.

The results of the overall funding of the Czech Republic show in comparison with Estonia and Slovakia weaker results. In the time when Estonia paid to beneficiaries already nearly 98 %, and Slovakia 100.3 %, the Czech Republic disbursed 94.2 % to the beneficiaries. Certified expenses amounted in January 2016 to less than 80 %, in Slovakia it was already 96.3 % and in Estonia 94.8 %. This situation repeats also by the absorption rates, where the Estonia and also Slovakia exceed the Czech rates and points out, that the position of the Czech Republic in funding among these two countries is not as bright as could be. In defense of such a development, we must pointed out that the results of funding OP Environment evince more competitive results. From my opinion the Czech OP Environment reaches the level of the Estonian Development of Living Environment and sometimes it even exceeds it. The funding of OP Environment shows nowadays good results, which have not been there for the whole period. The OP Environment belonged to those operational programmes with high risk of insufficient gaining. The scandals with corruption/frauds and many irregularities caused suspension of certification process of the programme, which nega-

tively influenced the funding. Since the 2012 many new measures were successfully involved and nowadays the numbers bring interesting results. The dominance of Estonia is not as distinctive as it is by the example of overall funding and the payments to beneficiaries amount to 99.6 %, where Estonian Development for Living Environment has 97.2 % and Slovakian OP Environment only 86.8 %. The position of the Czech OP Environment is backed also by relatively high certified expenses, which amount to nearly 90 %, where Estonia has 95 % and Slovakian OP Environment only 83.7 %.

4.4 Areas of improvement

I see one of the biggest possible improvements in eGovernment, which according to the results works in Estonia perfectly. Interconnected system, which would unite all the necessary services for public, including the services for Structural assistance. This may represent necessary simplification, which would accelerate procedures for preparation and approval of projects. Fully electronic applications for funding with connection to the data of other authorities in the Czech Republic, would most possibly lead to simplification for beneficiaries and also for authorities, which need to dispose of great administration capacity, in order to be able to process all the provided information.

From my personal experience with the processing of administration documents on the Embassy of the Czech Republic in Vienna, where every single requests or application has to be copied and rewritten into the system, most of the applications/documents need to be officially verified and almost all the request has to be personally or through power of attorney submitted, I assume that if the officer would receive the application in electronic version, it should significantly reduce the time, which is necessary for the execution of such a requests. Essential supplement of such a possibility is however the verification of the sender. Nowadays the Czech Republic is using qualified certificate, which are issued by the certification authorities. From my personal experience this method does not help for spreading of eGovernment, since primarily the acquiring and installation of such certificates on different devices is complicated and the user has to pay for it (every year). I cannot imagine that the people in the Czech Republic would be willing to pay every year for personal certificate/electronic signature and to learn how to use it (especially the older generation). The Czech Republic need different smart solution, which will be free of charge and easy to use. One more time we should take into account the Estonian example.

Another proposal of improvement for following programming periods is connected to the eGovernment. In programming period 2007-2013 the single operational programmes were using different managing and monitoring systems. There were three of them: Benefit7, Bene-fill and e-Account. Having three different systems is from my point of view very inefficient. We can see that also Estonia and Slovakia has single united system. Development and operation of three independent systems is very costly and for the beneficiary also confusing. The united system, which would cover all the operational programmes, where

the user can apply for any actual call and where they would find necessary information about desired operational programme. I believe that this would be also the step, the European Commission mentioned, which would focus more on citizen and it would increase the satisfaction, so it would lead to better eGovernment. The part of such a system should be fully electronic application, without the need of submission of any additional attachments. The reduction of expenses necessary for the development and operation of such a system would be an additional advantage.

The government should also try to simplify procedures for the operational programmes. Nowadays every operational programme has its own guidelines and specifics of implementation, which does not help to the transparency and efficiency of such a measures. The simplification may affect also the number of operational programmes. The Commission already expressed their objections about the structure and number of operational programmes in the Czech Republic. Therefore the Czech Republic should reconsider their position and assess the possible benefits and even the possibility, whether we are able to undertake such a measures and to reduce the amount of operational programmes.

The problematic start of examined programming period pointed out how the well-timed start of the programming period is important, therefore better planning of forthcoming programming period, including risk management, is necessary. However it is important to note, that the late start was influenced by many variables and it is simply not possible to plan everything.

From my point of view the Czech Republic should also focus on enhancing of administrative capacity, mainly on human resources. The Czech Republic and also Slovakia was during programming period 2007-2013 widely using services of external consultancy companies. Their services were employed especially during the preparation of programming period. Such solution however does not contribute to essential know-how, which should be at least in my point of view continuously created and enlarged. The Czech Republic should also pursuit the idea of learning from each other and learning from the past. By sharing skills, experts and experiences the authorities should be able to increase the administrative capacity and to put a food forward to better future and results.

5 Discussion

The analysis of programming period in three independent countries, where implementation of EU funds is different is very hard to perform. Implementation process is sometimes unclear and confusing. An example can be the National Development plan. As was mentioned in the Literature Review, Kantor and Marek (2007) introduce National Development plan as a fundamental document of every state, which defines the strategic orientation of a Member state in current programming period and rules for drawing on financial support from the Structural and Cohesion fund. However Slovakia was clearly missing similar document. In the National Regional Development Strategy of the Slovak Republic, which was defined in 2008 by the new Act No. 539/2008 Coll. on the promotion of regional development, Slovakia mentions that for the programming period 2007-2013 the National Strategic Reference Framework was drawn up on the basis of Community legislative and that Slovakia did not have any regional development plan at national level in that time. Other problem arises in case of Estonia from language barrier. Official authorities most of the information provide in native language only and the citizen of the European Union, without the knowledge of their language cannot find the information, they are looking for. Official strukturuifondid.ee in the legislation and documents publish in English only the OP documents and NSRF with few information. Ministry of Finances provide only annual reports of drawing and the information on the European Commission sites are limited.

Information on official webpages of the Czech Republic also sometimes varies. An example can be the allocations, which changes probably due to the exchange rate introduced in quantitative analysis. Similar problem occurs by the Slovak Republic, where the data from Commission and Slovak authorities differs probably from the reason, that the Commission is sometimes rounding the numbers. Also the date of approval of the Czech NSRF by the Commission differs. Ministry of the Regional Development in their press releases informs about the date approval by the Commission 27th of July 2007. However Czech official pages Strukturalni-fondy.cz present 26th of July 2007. This is only one minor imperfection, which I found during the analysis of given programming period. However there are also larger ones, which are impossible to discover within the range of this thesis.

As analyst Mr. Voda published in his article the analysis, which was executed by Czech association *Naši politici* (Our politicians), revealed missing data. In September 2013 database of the Czech Ministry of Regional Development was containing several errors. Database was not publishing all the necessary information about projects in total allocation of 2 238 million CZK, which is approximately 82 million EUR. The analysis found other issues in the lists of OP for cross-border cooperation and by some of other operational programmes. (NFPK, 2013)

These errors and insufficient information hinder from precise analysis with accurate data and make it even harder to compare implementation of EU funds across the nations.

Due to the fact that the new programming period 2014-2020 already started, some of the shortages were already corrected and even some of the proposed areas of improvement were taken into account. For example applicants for the funding in new period 2014-2020 have already single united system for managing and monitoring of structural assistance. Applicants can send requests through information system MS2014+, where they can apply for funding under any OP of current programming period. This leads to simplification and higher effectiveness of application process. The applications also work with qualified certificate, so the application is fully electronic. (Fakta o MS2014+, 2016)

The Czech Government already started to focus on services which may lead to the true eGovernment. The new Integrated regional operational programme (2016) already announced 6 calls on the topic of eGovernment, where the applicants can propose their projects in field of implementing of fully electronic communication and possible online applying of requests to the local authorities or e-legislative and the cybernetic safety. These changes and new calls are from my point of view very late. I believe that such orientation should have been presented already in programming period 2007-2013, not even before. To achieve the level of eGovernment of Estonia in the Czech Republic we will need many years and financial resources. Only the time will show, whether we are successful in reaching our goals in terms of eGovernment.

6 Conclusion

The goal of this thesis was to answer the question, what is the situation of the Czech Republic in gaining from EU funds in the programming period 2007-2013. The thesis however did not focus only on the Czech Republic, but it was evaluating the Czech position among two chosen countries of CEE – Slovakia and Estonia. Before the thesis could proceed to the analysis of the programming period, it was necessary to lay down the theoretical foundations.

The beginning of literature review introduced the Cohesion policy of European Union with its aim on reducing the disparities between regions for better development of the union. Further the objectives of the Cohesion policy together with their preconditions for funding were presented and described. These objectives were later used as a base of comparison of total allocation of the selected countries. Another essential part of programming periods are the key strategic documents. Literature review presented the Community strategic Guideline, National Development plan, National Strategic Reference Framework and the operational programmes. For better understanding of the position of these strategic documents in the implementation structure, the illustrative scheme was created. Part of this scheme covered also the priority axis, areas of intervention and the projects. Since the strategic documents need some instruments for funding, the tools of Cohesion policy were presented as another important part of the implementation structure. European Regional Development Fund together with European Social Fund form so called Structural funds and the third fund, which aims on strengthening of economic and social cohesion, is called Cohesion Fund. These funds administered in programming period 2007-2013 total amount of 308.041 billion EUR.

Literature review followed with briefly introduction of other European funds and short presentation of the Central and Eastern European Countries, where the common history and facts about CEE states were introduced.

Significant part of literature review was devoted to the detail description of programming period 2007-2013 in the Czech Republic, Slovakia and Estonia. All of them covered the characterization of NUTS regions and operational programmes, distribution of EU funds according to the objective and a comparison of total allocation with average of European Union. Further the thesis focused on the Regional Aid maps for 2007-2013, which highlighted the specifics and requirements of eligibility for aid reception.

Theoretical part of this thesis finished with the detailed description of procedure of obtaining a subsidy, where the process was divided into individual parts according to the steps of financial drawing scheme. Last term, which was introduced is an essential rule of the funding and it is the $N+2/N+3$, which determines the time frame when the resources have to be spent.

Second section of the thesis covered quantitative and system analysis of chosen programming period 2007-2013. The beginning of the quantitative analysis firstly identified the main factors of comparison, so that the evaluation of

the financial gaining from EU funds could have been performed. The key factors were as follows: Submitted applications, approved projects, payments to beneficiaries and applications for payment. All the phases were presented with the percentage of the total allocation for given programming period.

The evaluation started with the comparison of overall funding, which confirmed the position of Estonia as a one of the most successful countries in gaining from EU funds. In January 2016 the payments to the beneficiaries in Estonia were reaching 97.5 % of the total allocation, whereas in the Czech Republic it was 94.2 %. The application for payments, which signify amount of approved expenses spent in compliance with EU and national regulations, were equal to more than 3.2 billion EUR – 94.8 % of the allocation in Estonia. In Slovakia it was 96.3 % and in the Czech Republic it was only 79.8 %. The analysis also pointed out the importance of development of exchange rate CZK/EUR for the Czech Republic, since it may happen, that the request for payment will be rejected just for the wrong conversion.

The analysis than continued with the comparison of absorption rates among Czech Republic, Estonia and Slovakia and also within the Czech Republic itself. The Czech Republic came from this comparison as a loser. More than two years after the programming period the Czech Republic received only 88.4 % of the total allocation, however Estonia received 95 % and Slovakia 91.2 %.

The analysis of absorption rates for the Czech Republic was based on the source of funding, where it was evident that the Czech Republic does not receive resources through ERDF, Cohesion and European social fund equally.

The partial goal of the thesis was the analysis of operational programmes for environment in selected countries and its comparison with the Czech OP Environment. In the Slovakia it was the OP Environment and in Estonia OP for Development of Living Environment. The aim and objectives together with interventions areas were presented by all of these programmes. This part of the thesis also covered exact distribution of total allocation and the most actual figures of funding, which was compared with each other.

The system analyses focused on potential sources of problems during the programming period 2007-2013. In the first part of this analyses the timeline, which showed how essential strategic documents and operational programmes were approved and when the first calls of operational programme were announced, was presented. The timeline revealed huge delays in the preparation of the programming period 2007-2013. The National Strategic Reference Framework was for example approved 8 months later, than it was scheduled. The Czech Republic was also one of last countries, who submitted the NSRF to the Commission. However the Czech Republic was also first country (among Estonia and Slovakia), which had approved NSRF by the Commission (26th July 2007). Therefore for objective comparison, the timeline was enriched with Greece, Malta and Denmark, which proved, how the Czech Republic, Slovakia and Estonia are late with the implementation, since for example Maltese NSRF was approved by the Commission already in December 2006. The timeline also provided possible sources of such a delay. It was the political crisis in 2006 and

reproaches from the Commission on large number of operational programmes and complicated implementation structure, which made the negotiations with the Commission difficult.

System analysis further focused on key factors, which influence the drawing from EU funds. It was administrative capacity, transparency, management and controls and financial corrections. All of these factors were analyzed and compared within the Czech Republic, Estonia and Slovakia.

The analysis stressed out the complicated structure of the Czech and Slovak Republic, where there is large number of operational programmes, intervention areas and also large number of guidelines and implementation documents, including different information systems for management and monitoring of the process of gaining from the funds.

The work pointed out the excellent results of Estonia in the field of eGovernment, which was also one of the proposed area of possible improvements in the forthcoming programming periods.

Corruption perception indexes demonstrated how the citizens perceive the corruption in their country. Estonia belongs with the 70 points to the top 30 countries in the world with least perceived corruption. The Czech Republic received 56 points, whereas the Slovakia has 51. The programming period 2007-2013 in the Czech Republic was also influenced by many corruption/fraud scandals and large number of financial corrections, which were introduced as a last key factor of the system analysis. The Czech Republic had in this programming period corrections in total amount of 61.28 million EUR.

All of key factors together with the previous quantitative analysis were commented in the evaluation of the analysis. The evaluation above others pointed out the significant problems in large differences between phases of project process. Till May 2012 the OP Environment reimbursed to beneficiaries 24.4 % of the total allocation, whereas the certified expenses were only 7.4 %. The analysis marked as a possible problem complicated management system and also the suspensions of certification process of OP Environment in 2010 and 2012, when the process was stopped in total for more than one and half year.

The overall funding of the Czech Republic show in comparison with Estonia and Slovakia weak results. The payments to beneficiaries and certified expenses does not reach the levels of Estonia and even the Slovakia. Absorption rates of Estonia during the whole programming period evince stable development. Relatively low level of perceived level of corruption, followed by low number of corrections and low number of operational programmes makes Estonia the clear winner of this analysis. Possible areas for improvement has Estonia in field of transparency and accessibility of information for mostly foreign visitors. This is the field, where the Czech Republic at least from my point of view exceeds Estonia. Thanks to the long-term development in IT services, eGovernment in Estonia nowadays belongs to the absolute elite, where the Czech Republic and Slovakia unfortunately cannot compete.

In defense of the Czech Republic, we must pointed out that the results of funding OP Environment are very competitive. Evaluation positively assessed

position of OP Environment in funding of the Czech Republic in contrary with the overall funding. The results of OP Environment nowadays show good results, despite the fact that the programme was marked in 2012 with high risk of insufficient drawing. The resources were in January 2016 almost exhausted payments to beneficiaries amounted to 99.6 %, where Estonia had 97.2 % and Slovakia 86.8%. The position was backed with relatively high certified expenses, which reached almost 90 % of the allocation.

From this evaluation, the areas of possible improvement were proposed. As was already mentioned in this conclusion, one of the area of improvements is eGovernment, which would lead to speeding up of administration processes, simplification and fully electronical communication with not only public administration but also with other sectors of the economy. Such solution does not affect only the area of Structural assistance. It has much larger impact, since it concerns the whole economy.

Another area of improvement, which is very connected to the eGovernment, is the fully electronical application for funding proposals, without the necessity to print any annexes and unification of the managing and monitoring system, which would save not only time, but also financial resources.

The Government should also focused more on the administration capacity, mainly on the human resources and external capacities, which are nowadays highly used in the Czech Republic and also in Slovakia. These should be in my point of view reduced, since the authorities are not building necessary know-how and does not receive essential experiences, which may be later used for the preparation of forthcoming programming periods.

The Czech Republic has still many areas, which should be improved, in order to be able to use and draw the resources efficiently and to higher extent. I believe that if the Czech Republic follows the proposed areas, it will finally lead to the increase of the position of the Czech Republic in funding from EU. However every measure needs its time, therefore we cannot expect the results to come immediately.

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