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Department of Management



Diploma Thesis

STRUCTURAL FUNDS BASED ON AN EXAMPLE
OF THE SOUTH-EAST REGION

Author: Bc. Martina Kadlecová

Supervisor: Richard Selby, Ph.D.

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Kovarnik J, Support of the development of the regions of the Czech Republic through the structural funds of the European Union, Pardubice, University of Pardubice 2007, Thesis of the dissertation, ISBN 978-80-7395-003-3

Provaznikova R, Financovani mest, obci a regionu - teorie a praxe 2, Praha, Grada 2009, ISBN 978-80-247-2789-9

Tomsik K, Evropska integrace a environmentalni ekonomika, Praha, CZU - Provozne ekonomicka fakulta 2009.

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Dean

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Declaration

I declare that I have worked on my diploma thesis **“Structural Funds based on an example of the South-East Region”** by myself and that I used only the sources mentioned at the end of the thesis.

In Prague on 8th of April 2011

.....

Martina Kadlecová

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**STRUCTURAL FUNDS BASED ON AN EXAMPLE
OF THE SOUTH-EAST REGION**

STRUKTURÁLNÍ FONDY NA PŘÍKLADU
JIHOVÝCHODNÍHO REGIONU

Summary

The diploma thesis is mainly concerned with drawing of financial resources from the EU structural funds. As the topic is very complicated it is necessary to provide a literature overview in the theoretical part of the diploma. This part introduces the regional policy, structural funds, programming period 2007-2013 and individual operational programs with focus on the Region NUTS II South-East. The practical part of the diploma thesis analyzes drawing of financial resources from the structural funds in the district of Žďár nad Sázavou. The analysis is based on information obtained through elaborated questionnaire. Regarding to the results of the analysis, the hypotheses which were set are approved or rejected. Finally, after consideration of all findings, the recommendations for future improvements of drawing financial resources from the structural funds are derived.

Keywords: structural funds, European Union, regional policy, operational program, questionnaire, association, Chi-Square Test, the ROP South-East

Souhrn

Diplomová práce se zabývá především využíváním finančních prostředků ze strukturálních fondů Evropské Unie. Z důvodu složitosti celého tématu je zapotřebí v teoretické části diplomové práce poskytnout literární souhrn. Tato část představuje regionální politiku, strukturální fondy, programovací období 2007-2013 a jednotlivé operační programy se zaměřením na Regionální Operační Program NUTS II Jihovýchod. Praktická část diplomové práce analyzuje čerpání finančních prostředků ze strukturálních fondů na území okresu Žďár nad Sázavou. Analýza je založena na informacích získaných prostřednictvím vypracovaného dotazníku. S ohledem na výsledky analýzy mohou být stanovené hypotézy schváleny nebo zamítnuty. Na základě hodnocení všech poznatků jsou odvozeny doporučení pro budoucí zlepšení čerpání finančních prostředků ze strukturálních fondů.

Klíčová slova: strukturální fondy, Evropská Unie, regionální politika, operační program, dotazník, asociace, Chí-kvadrát test, ROP Jihovýchod

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1. INTRODUCTION

The European Union (EU) is a heterogeneous community of 27 countries, which faces to various regional, economic and social problems. Within a successive expansion of the EU and deepening of the integration, the economic and social differences of its individual regions are deepening as well. This process is inevitable and the EU tries to solve the differences through economic and social policy. Today, the Regional Policy is one of the most important policies of the EU. Under this term we imagine the activities which lead to an encouragement of a harmonious development and to a strengthening of economic and social cohesion. At present, the importance of the economic and social cohesion is very enormous. This is approved by the fact that more than 1/3 of the total EU financial resources are used for its realization. The policy of the economic and social cohesion is realized through financial support of structural funds and Cohesion fund. This support is aimed especially at the least developed regions in order to mitigate the inequality among individual regions and increase its competitiveness.

The Czech Republic became a member of the EU on May 1, 2004. Before the membership in the EU, the Czech Republic drew financial resources through pre-accession funds. By the time the Czech Republic joined the EU, the economic and social cohesion was implemented from the EU funds during the 2004-2006 period. During current programming period 2007-2013, it is the first time the Czech Republic may draw financial means for the whole period. Moreover, the amount of financial resources allocated for the Czech Republic in the running period is much higher than before. In order that the Czech Republic could obtain financial resources from the EU, there must be an ensured institutional and legal environment for effective management and implementation of programs, processed strategic and programming documents and sufficient amount of quality projects.

Concededly, regional policy it is a very popular and discussed topic. Lately, we are being attacked by a number of difficulties in drawing financial means from the structural funds from all sides. It is an object of extensive interest of all subjects. Whether it is a city, municipality, region, entrepreneurial subject, non-profit organization or another applicant all these subjects want to take advantage of it to realize its intentions. It is understandable as it is a process which leads to development of modern and competitive society.

Moreover, it leads to a balanced and harmonious territorial development and makes profit of the whole society and individuals.

The objective of the diploma thesis is to analyze drawing of financial resources from the EU structural funds in the programming period 2007-2013 in the Region NUTS II South-East, concretely in the district of Žďár nad Sázavou. The analysis serves as a basis for recommendations for future adjustments and improvements.

First chapter provides an overview of regional policy, its development, principles, instruments and objectives of regional policy in 2007-2013. Second chapter introduces the programming period 2007-2013 and involves an overview of individual operational programs through which regional policy is implemented. Third chapter is focused on Regional Operational Programs. Firstly it explains territorial qualification for reasons of regional policy and then it continues with application of the nomenclature NUTS in the Czech Republic. Finally, this chapter provides overview of the Regional Operational Programme NUTS II South-East.

The last chapter involves empirical part of the diploma thesis. This part consists of the analysis of capability of drawing financial resources from the structural funds. The attention is devoted partly to the period 2004-2006 but mainly to the programming period 2007-2013. The analysis is based on the information obtained through elaborated questionnaires or personal contact with individual mayors of municipalities in the district of Žďár nad Sázavou. Moreover, this part includes an analysis of association which provides us deeper findings. The following part, based on gathered information approves or disapproves hypotheses that are set. Finally, there is a summary of main observations and the possible adjustments and recommendations for existing difficulties are derived.

2. OBJECTIVES AND METHODOLOGY

Objectives

The main objective of the diploma thesis is to analyze the capability of drawing financial resources from the EU structural funds. The main objective will be achieved by completing several partial objectives. The first partial objective is to provide an overview of regional policy, its development, principals, instruments and objectives. Moreover, it includes introduction to the programming period 2007-2013 and an overview of operational programs with focus on Regional Operational Program of the Region NUTS II South-East. The second partial objective is achieved by a questionnaire which will provide an analysis of the drawing financial means from the structural funds on an example of the Region NUTS II South-East. Based on the obtained data from the questionnaire, next objective is to elaborate an analysis of association of two variables and decide whether there is an association or not. The third objective is to prove or refute hypotheses that are set. Based on all the findings, some future improvements can be recommended.

Hypotheses

Based on the theoretical part of the diploma thesis focused on the theory about regional policy and the analysis of functioning of structural funds, there are hypotheses which we would like to prove or disapprove in this practical part.

▣ *Hypothesis 1*

I suppose that in the running period (until the end of the year 2010) the use of financial means from the EU funds is higher than in the previous period 2004-2006.

The first hypothesis is supported by the fact that until the end of the year 2010, the Czech Republic had longer period to draw financial means compared to the previous period 2004-2006. Moreover, subject applying for grants could have got some experiences or made use of other subject's experience with drawing funds in the previous period. This fact may have a significant influence on the use of financial means form the EU funds.

▣ Hypothesis 2:

I expect that half of the questioned municipalities in the district of Žďár nad Sázavou have taken the opportunity to draw financial means from the structural funds in the period 2007-2013, and 50% of made applications were successful.

This hypothesis is based on introduction of the Czech Point project in 2009. Czech POINT is an acronym meaning Czech Filling and Verification Information National Terminal. Under the term Czech POINT we should imagine “a network of assisted public administration centres where every citizen can obtain all the information on the data kept on him or her by the state in its central registers.” (Czech POINT “All in one place, 2010) The Czech POINT project is an integral part of Czech e-Government strategy and in other words represents a system of universal electronic contact points which is designed for citizen-government interactions. Management and operation of the project is in hands of the Czech Ministry of Internal Affairs. The subject of the project is establishment of new contact places Czech Point. The aim is a faster and more reliable provision of public services to wide public through contact place-local workplace Czech Point. The operational program which concerns this support is the Integrated Operational Program. The time period for realization of this project was 2009-2010 and the recipients are cities, small towns and municipalities. I expect that most of the municipalities in the district Žďár nad Sázavou have taken the opportunity to be financially supported within this project.

▣ Hypothesis 3:

I expect that the size of municipalities (number of inhabitants) has an influence on drawing financial resources from the EU structural funds.

Many small municipalities do not dispose of enough financial resources to finance the projects they plan in advance. They may get some resources in advance, nevertheless, usually not for very big projects or not for many of them. So they may not be willing to be recipients of financial support as so many times as larger municipalities. Moreover, in the municipalities of bigger size, there are more people who deal with applying for financial

support from the EU. Therefore, these municipalities may be more successful in this process.

▣ *Hypothesis 4:*

I expect that most of the successful projects were co-financed from the structural funds through ROP NUTS II South-East.

This hypothesis is based on the fact that regional operational programs are programs which should offer to municipalities such an area of support which results from the region's needs. This is the reason we may expect that most of the municipalities would apply financial support within the ROP NUTS II South-East.

Methodology

The methodology used for gathering relevant information is based on an analysis of information obtained from chosen municipalities in the district of Žďár nad Sázavou. Firstly, data was acquired from a quantitative research, a questionnaire which is sent to the mayors of the municipalities. The questionnaire is a primary source of data for the analysis. The questionnaire, consisting of 21 questions, includes open and closed question. There are 17 questions related to the running period 2007-2013 and 4 questions related to the programming period 2004-2006 for a comparison with the running period. The data gathered from the questionnaire is empowered by personal contact with authorized persons. Secondly, tables and graphs are elaborated to summarize the information obtained from the questionnaire. These results are evaluated by written designation. The obtained data serves for an analysis of relation between categorical¹ dichotomic² variables. The measuring and testing of the relation between two dichotomic variables is called association. The association is investigated by Chi-Square Test, which provides test whether there is a relation between the two variables. Then, the association coefficient is calculated to express the tightness of dependence between the variables. Thirdly, on basis of gathered information the hypotheses are approved or disapproved. Finally, the main

¹ Categorical variable: takes non-numerical value

² Dichotomic variable: takes only two values (i.e. woman, man)

observations are summarized and possible future adjustments and recommendations for existing difficulties are derived.

Association and the Chi-Square Test

Association is a relation between two categorical dichotomic variables. Within the association, a statistical set is assorted according the two variables, A and B, each of which has two levels or subcategories. Each variable has only two categorical values. The relation is investigated in association table.

Association table:

Used notation:

Categorical dichotomic variables..... A, B

Appearance of a value within appropriate statistical unit a_0, b_0

Absence of a value within appropriate statistical unit a_1, b_1

Number of observations..... n

Table 1: Scheme of association table: table 2 x 2

Variable A	Variable B		Total
	b_0	b_1	
a_0	a	B	$a + b$
a_1	c	D	$c + d$
Total	$a + c$	$b + d$	n

Source: Gajda, 1982

The Chi-square test provides a method for testing the association between the two variables in a two-way table. This test is used only in case the number of observation $n > 40$. It is based on setting the null hypothesis H_0 , which assumes that there is no association between the variables (in other words, one variable does not vary according to the other variable), while the alternative hypothesis H_1 claims that there exists some association.

H_0 : There is no association between the two variables

H_1 : H_0 is not true

“The Chi-square test is based on a test statistic that measures the divergence of the observed data from the values that would be expected under H_0 of no association”. (Yale University Department of Statistics-Courses, 2011) Therefore, it requires calculation of the expected values based on the data. The expected value for each cell in a two-way table equals to (row total*column total)/n, where n is the total number of observations included in the table.

As a testing criteria is used a quantity χ^2 . Empirical values are marked a, b, c, d. Expected values are marked a_0, b_0, c_0, d_0 .

The calculation of expected values:

$$a_0 = \frac{(a+b)(a+c)}{n} \quad b_0 = \frac{(a+b)(b+d)}{n} \quad c_0 = \frac{(c+d)(a+c)}{n} \quad d_0 = \frac{(c+d)(b+d)}{n}$$

Therefore the equation of χ^2 is:
$$\chi^2 = \frac{|a - a_0|^2}{a_0} + \frac{|b - b_0|^2}{b_0} + \frac{|c - c_0|^2}{c_0} + \frac{|d - d_0|^2}{d_0}$$

Provided there is no need to know expected values, the equation for calculation of the statistic χ^2 is:

$$\chi^2 = \frac{n \cdot |a \cdot d - b \cdot c|^2}{|a+b| |a+c| |b+d| |c+d|}.$$

The distribution of the statistic χ^2 is denoted χ^2 (df), where df is the number of degrees of freedom. The degrees of freedom are measurements of the number of values in the statistic that are may vary freely without having influence on the result of the statistic. The number of degrees of freedom is calculated: $(r-1) \cdot (c-1)$, where r represents the number of rows in the table and c represents the number of columns.

Therefore we choose a significance level, usually denoted α . The standard or classical approach to hypothesis testing is to fix α at levels such as 0, 01 or 0, 05 and then make the power of the test maximal.

If $\alpha=0, 05$, it means that “we accept at most a 5% probability of committing a error-we do not want to reject the true hypothesis by more than 5 out of 100 times.” (Gujarati, 2007)

We have to find the critical region for the χ^2 distribution. For this we use χ^2 probability tables.

Statistic χ^2_{α} is obtained from probability tables. The place where a row with df and a column with α intersect give the value, where $P(\chi^2_{\alpha}(df) \geq x) = \alpha$. This gives us a critical value.

If $\chi^2 > \chi^2_{\alpha} \Rightarrow H_0$ is rejected and H_1 is true. Therefore, there is an association between the two variables.

It is said that H_0 is approved or disapproved at significance level α .

If H_1 is approved, the association coefficient may be calculated to see the tightness of the association.

For calculation of the tightness of dependence between the variables A, B the equation below is used:

Equation for calculation of the association coefficient (V):

$$V = \frac{n \cdot a - (a+b) \cdot (a+c)}{\sqrt{(a+b) \cdot (c+d) \cdot (a+c) \cdot (b+d)}} = \frac{a \cdot d - b \cdot c}{\sqrt{(a+b) \cdot (c+d) \cdot (a+c) \cdot (b+d)}}$$

Value of association coefficient ranges $< -1, 1 >$

If $V = \pm 1$absolute dependence between the variables A, B

If $V = 0$no dependence between the variables A, B

3. LITERATURE REVIEW

3.1. Regional Policy of the EU

Regional policy of the European Union is often referred to as cohesion policy, policy of cohesion, or we can find policy of economic and social cohesion. Regional (cohesion) policy of the EU is one of the fundamental and significant policies of the European Union. And what shall we understand under the term “cohesion policy of the EU”? Despite the fact that the EU is one of the wealthiest parts of the world, there are evident disparities among its regions. Therefore, there is the regional policy of the European Union with its primary principle which endeavours to prevent creation and deepening of these disparities that could lead to a slowdown of the development of the continent. The regional policy supports principles of solidarity and cohesion both in relation to its existing and accessing members. One third of the total EU budget going to the regional policy illustrates significance of these principles within the EU. (Kašparová, 2009)

The regional policy of the EU belongs to so-called community or coordinated policy. It means that while its focus and execution lies within the hands of member states, the EU institution supervise its coordination and correctness of execution. The regional policy reflects and focuses on the most burning problems of member states and accessing countries. The focus of regional policy aid is “regions that are economically weak, those that fall blind in economic indexes, regions with social problems and damaged environment“. (Kašparová, 2009) Besides, the main aim of the regional policy is to “minimise differences among the living standards of inhabitants in individual regions and to provide for balanced economic and social development“. (European Integration and Structural Funds Department (Eisfd) in co-operation with regional development concept department, 2002) Moreover, there is the aim to prevent new regional problems as well.

Under regional policy we imagine the activities which lead to an encouragement of a harmonious development and to a strengthening of economic and social cohesion. Its main aim is to mitigate inequality among individual regions and to focus especially on those least developed with the lowest rate of endorsement. (Kašparová, 2009)

In term of financial demand factor, it has got a second place behind the Common Agrarian Policy (CAP). The amount of financial resources which is spent on its realization is about 1/3 of the total EU expenditures.

3.1.1. Development of Regional Policy

The regional policy has gone over a long historical development until it was shaped to today's form. The first time regional policy was mentioned in the treaty of European Economic Community in 1957. This treaty was a kind of member's commitment to reduce the existing differences among regions and minimize deficiency of less developed areas. For this purpose, there was the European Investment Bank established, based on the Treaties of Rome. The objective of the bank was to gain financial resources for the aims mentioned above using its own sources or through operations on capital markets.

Within the frame of the Treaties of Rome, there were other institutions established, significant for regional policy. These are the European Social Fond (ESF) as a main source of financial funds for Community Social Policy and the European Agricultural Guidance and Guarantee Fund (EAGGF). However, the priority of the EAGGF was to finance the common agrarian policy, it had an inherent influence on regional policy.

With regard to a relatively equally balanced economic situation of the individual member countries, there was no need to create a common regional policy until the 70's. Generally, the 70's of the 20th century was a significant moment in a development of regional policy. It was caused by the entrance of three countries, Denmark, Ireland, and Great Britain to EEC (European Economic Community) in 1973. This brought some new, so far unknown difficulties. The economic situation of these less developed countries was connected with a deep regional inequality. Great Britain is being said the incentive for establishment of common regional policy. Moreover, the enforcement of regional policy was contributed by a decline in dynamics of global economy as a result of structural a crude oil crisis in 70's. One of the most important steps made in order to achieve the aims of regional policy, was the establishment of the European Regional and Development Fund (ERDF) in 1975. The way the fund contributed was the reconstruction of industrial areas and compensation of losses. Since this time, regional policy is realized by relevant institutions of EEC and we

may consider it as a common policy. Later, in 1986 other three countries- Spain, Portugal and Greece became members of EEC. These countries were characterized with a lower economic situation and a considerable dependency on agricultural production. Gradually, the differences emerged not only in a scope of individual countries, but among those countries. This was another incentive for a further intensive development of regional policy.

The admission of the Single European Act (SEA) in 1986 played another significant role in regional policy development. It brought changes needed by the situation described above. The main aim of regional policy determined by the SEA was to contribute of harmonious development of the Community as a whole. This should encourage the economic and social cohesion and in this scope it should reduce underdevelopment in the most discouraged areas. (Nařízení Evropského parlamentu a Rady (ES) č. 1081/2006 ze dne 5. července 2006 o Evropském sociálním fondu a o zrušení nařízení (ES) č. 1784/1999, 2010) So, the structural funds were established as a purpose to achieve the set aims.

In 1988 the regional policy was integrated with certain parts of social and agrarian policy and it gave rise to the so-called structural policy which should cover the economic and social cohesion more completely. It was the first big regional policy reform. During this reform time, a medium-term planning was originated as a new element of regional and structural policy. In the first programming period (1989-1993), 5 partial aims were formulated to achieve the principal goal. During the following programming period (1994-1999), the basic documents of regional development were admitted. Moreover, the principles of structural policy were determined and a programming system was elaborated. Until this period, regional and structural policy was used for subvention of individual projects. The number of those projects was not getting higher only with a rise in a number of members, but with a growth of financial funds from the EU budget flowing to this policy. Nevertheless, this situation was not sustainable in a future anymore. The reform has already brought a change to financing. While, before reform the members were obliged to contribute by $\frac{3}{4}$ of total expenditures to structural reform costs (EEC financed the remaining 25%). Later thanks to the reform EEC could support by 75% in the least developed regions.

The entrance of Austria, Finland and Sweden in 1995 brought another focus of regional policy which was on distant areas with an intensity of population lower than 8 people / km². The acceptance of Maastricht treaty was another step in forming the regional policy. Based on this, it was decided to create Cohesion fund that would provide Community financial contributions to environmental projects and the trans-European transport networks in Member states. This contribution was possible” in Member states with a per capita GNP of less than 90% of the Community average which have a programme leading to the fulfilment of the conditions of economic convergence.” (Nařízení Evropského parlamentu a Rady (ES) č. 1081/2006 ze dne 5. července 2006 o Evropském sociálním fondu a o zrušení nařízení (ES) č. 1784/1999, 2010) However, the Cohesion fund exists separately, aside the structural funds its function is closely related to them. Within the Maastricht treaty, the Region Committee was established as an advisory institute for regional policy. In connection with planned expansion of EU by the countries of the Middle and East Europe, a question of necessary reform came up for some solution.

The summary material Agenda 2000 suggests the expected development of the EU and defines the steps to make this development possible. One of the Agenda’s part was also a reform of regional and structural policy which was being realized in the years 2000-2006. It brought a higher concentration of financial resources, fewer determined goals, smaller fatness of provided help, and higher effectiveness of using the help, improvement of fund’s function and administration and simplification of the whole process. (Institute for European Policy, 2011)

3.1.2. Principles of Regional Policy

The effective function of the EU regional policy is based on the principles which are set in documents and which ensure a legal regulation of the whole process. The principles were introduced in 1988 in connection with the reform of regional policy and we can divide them among 5 primary principles - principle of concentration, principle of programming, principle of additionality (complementarity), principle of partnership, principle of monitoring and evaluation, which will be specified closely and other complementary principles- principle of coordination and harmonization, principle of integration, principle

of convergence, principle of solidarity, principle of subsidiarity, principle of compatibility, principle of proportionality. (Lacina, 2004)

Principle of concentration: principle of financial resource investment to regions with the most serious problems and effort to use them as effectively as possible

Principle of programming: provision of help to problematic regions based on multi-annual programs, which enables to solve the problems in mid-term and more-years time period. This principle creates a kind of time schedule of help allocation.

Principle of additionality (complementarity): participation of a member state in financing of approved projects. The resources from the EU budget have to only complement the expenditures (expenditures of a state, regional local budgets or private sources) of a member state for a certain project. The result should be a higher effectiveness and responsibility for the use of funds provided by the EU sources.

Principle of partnership: effort to make coordination among European Commission and member state institutions on national, regional and local level. It concerns active involvement of those partners of member state, who the resources are dedicated for.

Principle of monitoring and evaluation: continuous monitoring and evaluation of projects in term of the effectiveness of invested resources for its realization. There has to be a control of every part of the process, not only of material way, but also financial fulfilment.

3.1.3. Key instruments of the Regional Policy

The EU disposes a number of funds, whose task is to secure a help of financial and technical character. The list of the most important EU funds and its comparison with a previous programming period is showed in Table 2.

Table 2: The comparison of the EU funds in the programming period 2000-2006 and 2007-2013

The EU funds		
Fund family	Programming period 2000-2006	Programming period 2007-2013
Structural funds	ERDF	ERDF
	ESF	ESF
	EAGGF	X
	FIFG	X
Cohesion Fund	yes	yes
EAFRD	X	yes
EFF	X	yes
Communitarian programs	yes	yes
Pre-accession help	PHARE	IPA
	SAPARD	
	ISPA	
The European Union Solidarity Fund (EUSF)	yes	yes
New financial instruments of regional policy		JASPERS ³
	X	JEREMIE
		JESSICA

Source: Ministerstvo pro místní rozvoj české republiky, 2007

Regional policy is implemented by means of structural funds and Cohesion Fund. There exist two structural funds European regional fund development fund (ERDF) and European Social Fund (ESF).

Within a scope of regional policy, one of the most important funds is the Cohesion fund. The resources from these funds help regions to overcome its insufficient development and appropriate structural problems.

In comparison with the previous programming period 2000-2006, some changes in the EU financial instruments occurred. European Agricultural Guidance and Guarantee Fund (EAGGF) and Financial Instrument for Fisheries Guidance (FIFG) were excluded from structural funds and they were moved as EAFRD and EFF to a funds group providing help within Common Agrarian Policy (CAP).

³ JASPERS: Joint Assistance in Supporting Projects in European Regions
 JEREMIE: Joint European Resources for Micro-to-Medium Enterprises
 JESSICA: Joint European Support for Sustainable Investment in City Areas

Another change appeared in area of providing financial resources from the Cohesion fund. This fund does not serve any longer for support of individual projects, but it is focused on programme documents on supra-national level. Among the group of structural funds we include ERDF and ESF. The resources from these funds are dedicated to realize regional policy objectives, mentioned in previous chapter.

Other news in the period 2007-2013 is creation of 3 new financial instruments of regional policy- JASPERS, JEREMIE a JESSICA. We call them other possibilities to finance regional policy's objectives. Its purpose is to improve financial resources necessary for project co-financing from national sources and enhancement of fund administration regulation.

Compared to the previous programming period 2004-2006, the running period has brought some significant changes into a structure of the EU funds. The changes contribute to a higher transparency and simplification of administration.

As regional policy is fulfilled through the structural funds and the Cohesion fund, the following two subchapters are focused on characteristics of these three funds.

3.1.3.1 Structural funds

A group of structural funds, as a main financial instrument of regional policy was initially created by 4 funds (Table 2). However, in the running period their number decreased by 2 funds and the structural funds are made up of the European Regional Development Fund (ERDF) and the European Social Fund (ESF). A common objective of structural funds is to provide resources to mitigate differences in level of living among individual members and contribute an economic and social cohesion within the EU.

European Regional Development Fund (ERDF)

This fund supports investment (infrastructural) projects like e.g. support of innovation potential, support of starting entrepreneurs, transport infrastructure construction, elimination of environmental burdens, renewable energetic sources.

The fund was founded in 1974 and its function began in a following year, in 1975. Since its establishment it is considered as one of the most essential instruments of regional policy. It disposes of the biggest volume of financial resources among all the funds.

The main area in which the fund acts is strengthening of competitiveness and innovations, creation and security of jobs and ensuring of sustainable development. The fund resources are intended to finance all the three objectives of the running programming period 2007-2013. The concrete extent of support differs according to a character of individual objectives.

The resources are spent on investment projects of small and middle-sized enterprises, especially on projects aimed at creation and maintenance of jobs. Further, they are spend on infrastructure projects connected with a research and innovation, telecommunication, environment, energetic and transportation; investment intentions of cities and regions which serve to its development on regional and local level and last but not least on technical help for realization of the principal objective. (Regulation (EC) No 1080/2006 of the European Parliament and of the Council on the European Regional Development Fund, 2011)

European Social Fund (ESF)

European Social Fund is the oldest fund among the structural funds. It has worked since 1957. The concentration of its financial resources is focused on projects with non-investment (non-infrastructure) character, mainly on employment and development of human resources. The fund's resources should enable to reach the full employment and work quality and productivity, support social integration, including an access of disabled people to employment. Moreover, it should decrease the differences between the employment on national, regional and local level. (Nařízení Evropského parlamentu a Rady (ES) č. 1081/2006 ze dne 5. července 2006 o Evropském sociálním fondu a o zrušení nařízení (ES) č. 1784/1999, 2010)

The encouragement coming from this fund serves for realization of projects in frame of the objective of Convergence and Regional Competitiveness and Employment. Concerning the amount of financial resources, we consider it as the second most important fund.

3.1.3.2 Cohesion Fund (CF)

This fund was introduced by the Maastricht treaty in 1993. It is meant for financial support of poorer countries, not regions. As in the case of the European Regional Development Fund the investment (infrastructural) projects are financed from it. However, these projects are larger in their scale and focused on environmental protection preservation, renewable energetic resources and support of extent investment projects in infrastructure (railways, water transport, traffic management, sea and air transport).

3.1.4. The objectives of Regional Policy of the EU in the period 2007-2013

The EU represents a very heterogeneous complex of states, for which an economic and social cohesion has an enormous importance. Objectives of the regional policy of the EU develop during time and reflect the needs of its existing and accessing members. The main purpose is to prevent formation of considerable regional differences. The principal aim is to minimize the inequality among individual regions and to focus on particularly undeveloped regions with the lowest support.

For the period 2007-2013, there were 3 objectives stated to make a sustainable regional development of individual member of the EU. They are –Convergence Objective, Regional competitiveness and employment Objective and European Territorial Cooperation Objective. The amount of financial support available for the whole EU is 308 billion €, of that 26.7 billion € (Kašparová, 2009) solely for the Czech Republic. These financial resources are foreseen for the three objectives within the structural funds and the Cohesion fund for the period 2007-2013.

Convergence Objective

Convergence objective focuses on support of economic and social development of regions (at the level NUTS II), or better on support of reducing the differences among development levels of individual regions. This objective is meant for countries and their regions that meet at the same time two conditions. At the level of countries, countries that are entitled to receive funds from Convergence objective must fulfil this condition: “gross national

product (GNP) per capita is lower than 90% of the EU average within the decisive period“.

(Kašparová, 2009) According to this the Czech Republic meets the condition. At the level of regions, regions with gross domestic product (GDP) per capita lower than 75% of the EU GDP average, are entitled to receive funds. Concerning the Czech Republic, all NUTS II regions except the capital Prague meet this condition. Convergence objective is financed from all three funds ERDF, ESF and CF.

Regional Competitiveness and Employment Objective

The main sense of this objective is not only to increase competitiveness, but employment as well. The principal instruments which lead to fulfilment of this objective are following: investments in material and human sources, activities which enable development of innovation and society based on knowledge, activities which support security and enhancement of environment. Within this aim, the funds are intended for support of competitiveness and attractiveness in regions on level NUTS I and NUTS II that do not meet the above written conditions for being involved into the Convergence objective. In the Czech Republic, this objective covers the capital of Prague, whose gross domestic product in decisive period exceeded significantly the 75% GDP average of the whole EU. This objective is financed from the two structural funds ERDF and ESF.

European Territorial Cooperation Objective

The basis of this objective is to link and develop a long-term cooperation of individual regions and member states on a cross-border, interregional and transnational level. Respecting the cross-border cooperation, the support concerns regions on a level NUTS III which are situated alongside all interior and some exterior ground borders and all EU regions NUTS III along sea borders, whose distance does not exceed 150 kilometres. (Nařízení Evropského parlamentu a Rady (ES) č. 1081/2006 ze dne 5. července 2006 o Evropském sociálním fondu a o zrušení nařízení (ES) č. 1784/1999, 2011) The financing of this objective is ensured by ERDF. In term of total financial resources, this objective has a lowest fund support.

As regards the EU budget, the realization of regional policy aims comprises 308 billion €, which represents more than 35% of the EU budget. These resources are drawn from

structural funds and from the Cohesion fund and according to principles of regional policy they must be completed by each member private expenses.

The following Table 3 shows that the biggest amount of finances within the EU regional policy is dedicated to the Convergence objective. The amount reaches 25.9 billion € in the period 2007-2013, which is 97% of all sources available for this period.

Table 3: Allocation among the objectives of the EU regional policy within 2007-2013

	Funds for the whole EU	Share	Funds for the CR	Share
Objective				
Convergence	251.2 billion €	81.54%	25.88 billion €	96.98%
Regional Competitiveness and employment	49.1 billion €	15.95%	0.42 billion €	1.56%
European territorial cooperation	7.8 billion €	2.52%	0.39 billion €	1.46%
Total	308.0 billion €	100%	26.69 billion €	100%

Source: Kašparová, 2009

The Table 4 below provides an overview of the three objectives of regional policy in the period 2007-2013 and the instrument through which these objectives are financed. As you can see, only Convergence objective is financed from all the three funds ERDF, ESF and CF.

Table 4: Objectives and its fulfilment through the instruments of regional policy

Objectives 2007-2013	EU funds 2007-2013
Convergence	ERDF
	ESF
	CF
Competitiveness and employment	ERDF
	ESF
European territorial cooperation	ERDF

Source: Regional Policy, 2011

3.2. Programming period 2007-2013

The programming period 2007-2013 represents a period in which member states entering the EU in 2004 and 2007, have the opportunity to draw financial resources from the given funds during the whole programming period. In the previous programming period 2000-2006, 10 new member states might have drawn the financial resources only for the last two years, thus in 2004-2006. So in comparison with the previous period, it is the first time the Czech Republic can draw financial resources for six years. For the running programming period 2007-2013, the Czech Republic has EUR 26.69 billion (amount of CZK depends on exchange rate of CZK) available from the European funds within regional policy. (EU Funds-Programs 2007-2013, 2011)

In 2006, the Ministry of Finance decided that the rate of co-financing will be referred only to eligible expenditures. Member states and regions can obtain a maximum EU co-financing rate of 85% of the total eligible cost of projects. The rest is complemented by national co-financing. Therefore, the Czech Republic has to participate in financing by EUR 4.71 billion.

In the period 2007-2013, there are 26 operational programs used in the Czech Republic, which are divided among the three objectives of the economic and social cohesion (described in the previous chapter).

What is necessary to make drawing of financial resources successful? Firstly, the Czech Republic has to have a worked up the system of Strategic Program Documents with an institutional security and secondly, plenty of quality projects. The decision about the realization of project in cooperation with the EU funds depends on a fact, whether the realization helps to eliminate the problems described in strategic documents.

The programming period 2007-2013 brings particular changes, whose aim is to remove mistakes and to adjust the structure of operational programmes.

3.2.1 Operational programs in the programming period 2007-2013

The three objectives of regional policy in the programming period 2007-2013 - Convergence Objective, Regional Competitiveness and Employment Objective and

European Territorial Cooperation Objective - are fulfilled through the 26 operational programs in the Czech Republic.

Every member country negotiates with the European Commission operational programs (OP) which are the intermediate stage between the main three European funds (ERDF, ESF, CF) and concrete recipients of financial support in member states and regions. The operational programs are official documents approved by the European Commission. These documents define problems which the Czech Republic wants to solve or aims which wants to reach using the resources obtained from the European budget in the programming period 2007-2013. Every subject, who wants to apply for financial support from the EU funds, has to bring a project to the regulatory authority of the operational program. Project is a document illustrating how the applicant's activities support not only the goals set in operational program, but realization of the European policy of economic and social cohesion.

Convergence Objective

In the Czech Republic this objective concerns eight thematic operational programs (OPs): Transport, OP Environment, OP Enterprise and Innovation, OP Research and Development, OP Human Resources and Employment, OP Education for Competitiveness, Integrated Operational Program and OP Technical Assistance and seven regional programs (ROPs) for the cohesion regions (NUTS II) : 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. In the Czech Republic, all cohesion regions have right to draw the funds, with exception of the Capital city Prague.

The objective Convergence is funded by ERDF, ESF and CF. The amount of 25, 89 billion € is assigned to the Convergence objective in the Czech Republic, from which the total assigned amount of 4.66 billion € to the ROPs and 21.23 billion € to the thematic OPs. (EU funds, 13.3.2011)

Regional Competitiveness and Employment Objective

There are two operational programs related to this objective: OP Prague – Competitiveness, OP Prague – Adaptability. The amount of 0.42 billion € is assigned to the

Regional Competitiveness and Employment objective in the Czech Republic. (EU funds, 2011)

European Territorial Cooperation Objective

In the Czech Republic, the objective covers all regions and finances may be drawn from nine operational programs. Those programs are following:

- 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 Interregional Cooperation (all EU states, Norway and Switzerland)
- OP Transnational Cooperation (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)
- Network Operational Program ESPON 2013 (all member states, Norway, Switzerland, Liechtenstein, Iceland, EU candidate countries)
- Network Operational Program INTERACT II (all member states)

In the Czech Republic, the amount of EUR 0.39 billion is assigned to the European Territorial Cooperation Objective. (EU funds, 2011)

The operational programs, being official documents approved by the European Commission, define what problems the Czech Republic wants to solve using the finances received from the European budget and what it wants to achieve in the program period 2007-2013. They guarantee the projects to be financed. The projects are not selected on a random basis but according to whether they help to achieve the aims of the cohesion policy. Every OP is divided into priority axes that define more specifically what the finances assigned to the concerned operational program may be spent on. The priority axes further consist of areas of support or even sub-areas of support respectively.

Every subject, who wants to apply for financial support from the EU funds, has to bring a project to the regulatory authority of the operational program Regulatory authorities of

operational programs are the departmental ministries in relation to thematically focused OPs and regional councils of cohesion regions, which are territorial units responsible to one or several Czech regions established in order to receive subsidies from the European funds, in relation to territorially defined OPs.

The project is a document illustrating how the applicant's activities will contribute not only to the goals within the operational program but also to realization of the European policy of economic and social cohesion. Therefore, the applicant has to be familiar with the implementation documents of the operational program and to follow its priority axes. The regulatory authorities of operational programs regularly publish time-limited calls to present projects within individual priority axes and areas of support. The easiest way is to monitor the calls on the websites of the appropriate operational programs.

3.2.2. How do the operational programs work in the Czech Republic?

For this moment, imagine we are an applicant for the support from the EU structural funds or Cohesion fund. If we want to achieve any goal, we have to follow exactly certain steps during the whole planning and proceedings process. The basic activities of the process are defined in so called project cycle. Provided we follow the instructions of the project cycle, the chance that our project is successful is more than realizable. So, which steps do precede the final acquisition of financial support from the EU funds?

A. Identification and formulation of intention

The most important in this phase is to move from the idea to the project intention. It is necessary to find out, if it is possible to claim financial resources from the structural funds for our project intention. Then, the principal thing is to find out if our project intention is applicable on concrete existing operational program. Sometimes, it is suitable to ask for an advice a qualified person or a person who has already got some experiences in this area.

B. Choice of appropriate instrument for grant

After a clear identification of our intention we have to choose relevant grant instrument. While we are choosing it, we have to know if:

- Grant program supports the activity we want to finance.
- We can realize the project in the area we chose.
- We are an authorized person.
- We know where to apply for the grant.

Sometimes after the choice of the instrument it happens that we are obliged to change the project intention to fit the program better.

C. Preparation of project and its formulation - application processing

This step comprises a detailed processing of project intention, mainly financial analysis. It is important to make clear and confirm the feasibility of the project or re-evaluate some goals and plans. In this respect, it is convenient to emphasize that in most cases it is necessary to meet the project expenditures from our own resources as the financial resources are paid by return. Therefore, we should realize the amount of disposable resources we have. The basis is to create such a quality plan that would guarantee a success. Only projects of the highest quality are successful finally.

D. Examination and approval

Then, the proceeded application is reviewed by regulatory authority. Any subject calling for funds from the EU must bring the project to the regulatory authority. The authority for the thematic OPs are Departmental Ministries, the authority for ROPs is appropriate Regional Council, which were established for receiving grants from the structural funds. The appropriate regulatory authority checks all the formal requirements of the project and its acceptability within certain program. As an applicant, we may be asked for additional information or to correct some incorrect data. After the whole evaluation process, we will be informed whether the project is approved or not.

E. Realization of the project

In case your project is approved, you sign financing contract with the appropriate authority and from this moment the status of applicant changes to a grant recipient. The contract contains not only the amount of financial support, but the obligations arising from the contract we have to carry out. It is necessary to meet the amount and composition of

approved expenditures. There is a part of the project so-called monitoring indicators of the project. This part contains indicators and values such as new work positions. It is obligatory and the indicators are chosen by the recipient himself. Monitoring enables to supervise the project's realization within its original plan. In case there is some inconsistency, we apply sufficient legal remedy. Last but not least, we should not forget to submit continuous monitoring reports about the project's realization.

F. Project evaluation

This phase comprises evaluation of accomplishment of aims, effectiveness and impacts of the project within a final submitted report. Nevertheless, the obligations do not come to an end. As soon as the project is finished, there are administrative obligations for following 3-5 years. This enables to control the values of significant indicators, whether they retain or not.

This is a complex process constituted by those individual phases that come one after another, each providing data necessary for the next phase. Mistakes and insufficiency arisen from the realization may often provide us possibility to raise a new project intention. In case we face difficulties during the preparation of the application which we are not able to solve on our own, we can ask the institution which is in charge of the concrete program. Anyway, if the institution's employees cannot give us any advice, at least they can tell us where to find answers for our questions. Furthermore, we can make use of an advice through agencies, consultancy firms or a consultant's services from selection database of National Registry of Consultants, governed by the agency Czech Invest. (Ministerstvo pro místní rozvoj ČR, 2011)

3.3. Regional Operational Programs

3.3.1 Territorial qualification for reasons of Regional Policy

Every EU member is characterized by its own territory-administrative division which reflects needs of public administration and inhabitants. Presently, there exist 27 different types of administrative divisions within the European Union which limit the possibilities of

their mutual comparisons. In order to be able to compare the countries from economic, statistical, social point of view and other parameters, the united system of territorial statistical units (NUTS- La Nomenclature of Territorial Units for Statistics) was established. It was established by the Statistical Office of the European Communities (Eurostat) and it has been used since 1988. The principle of the NUTS is to “provide a single, uniform breakdown of territorial units for the production of Community regional statistics”. (NUTS Regions EU (Nomenclature of Territorial Units for Statistics), 2011) In the framework of the NUTS, we distinguish 3 basic levels by a number of population and area. In the Table 5, there are shown the basic levels of regional division of territory with recommended minimum and maximum number of citizens.

Table 5: Basic levels of regional division of the territory

Level	Recommended minimum number of citizens	Recommended maximum number of citizens
NUTS I	3,000,000	7,000,000
NUTS II	800,000	3,000,000
NUTS III	150,000	800,000

Source: Europa-Nařízení evropského parlamentu a rady (es) č. 1059/2003 ze dne 26. května 2003 o zavedení společné klasifikace územních jednotek pro statistiky (NUTS)., 2011

NUTS I is a regional unit which represents bigger areas of a given state. In the Czech Republic, it is represented by the whole country.

NUTS II is a lower unit used for comparison with a middle unit of regional administrative division of a concrete state. In the Czech Republic, there are 8 unit of the level NUTS II, called cohesion regions. These are established for needs related to coordination and realization of economic and social cohesion. For the reasons of drawing financial resources from pre-accession funds and the EU structural funds the regions, corresponding the territorial statistical units NUTS II are established.

NUTS III is a unit which corresponds to lower unit of regional administrative division of state (corresponding to a level of countries or regions).

The nomenclature NUTS distinguish between other two levels: NUTS IV and NUTS V, with are in present indicated as Local Administrative Units (LAU). NUTS IV or LAU I is not defined by legislative so it is not defined in the most member states. LAU II represents the smallest unit and these units are villages or a group of villages. Nevertheless, in light of funds flowing from the EU, the significance of these units is not so high.

NUTS I, IV and V are more or less used for statistical reasons. NUTS II and NUTS III have direct connection to the drawing of financial resources from structural funds.

3.3.2 NUTS in the Czech Republic

The division of territorial statistical units corresponding with the nomenclature NUTS was in the Czech Republic introduced in 1999. The only one territorial administrative level which existed in the Czech Republic until that time was NUTS III. During the creation of regions NUTS II, Czech statistical office considered the “similarity of regions in a demographic and economic structure, vastness of NUTS regions according to European criteria (number of population higher than 1 million), and level of GDP per inhabitant in accordance to a Purchasing Power Parity.” (Lacina, 2004) NUTS are used for statistical monitoring for analytical reasons and to provide data in relation to the EU, which is connected mainly with the drawing of financial means from the structural funds. The territorial units NUTS in the Czech Republic is determined as it is in Table 6 below:

Table 6: Territorial Structure of the Czech Republic

Territorial Structure of the Czech Republic		
Level	Name	Units
NUTS I	State	1
NUTS II	Cohesion regions	8
NUTS III	Regions	14
LAU I	Countries	76 + 15 Prague districts
LAU II	Municipalities	6,249

Source Policy and Preparation for structural funds, 2002

Among the Cohesion regions in the Czech Republic we include: North-West, North-East, South-East, South-West, Central Bohemia, Moravia-Silesia, Central Moravia and Prague.

In the following Figure 1, there are the 8 Cohesion regions illustrated for a better imagination.

Figure 1: Cohesion Regions (NUTS II) and regions (NUTS III) in the Czech Republic



Source: Regional policy, 2011

3.3.3. Regional Operational Programme NUTS II South-East

3.3.3.1. The South-East Cohesion Region

The NUTS II South-East Cohesion Region consists of two territorial units NUTS III - South Moravia and Highlands, with the regional cities Brno and Jihlava. It has area of 13 991 km² which makes it after the Southwest Cohesion Region the second largest cohesion region in the Czech Republic. According the measured population, with its 1 641 125 inhabitants, it is the largest regions, accounting for 16% of the population of the Czech Republic. With regard to national GDP, the South-East region is on the second position with approximately 15%. Concerning GDP per capita, this region is on the third place after Prague and the Central Bohemia Cohesion Region reaching 91.6% of the Czech Republic's average. (ROP South-East, 2011)

3.3.3.2. ROP NUTS II South-East

The Regional Operational Program NUTS II South-East for the programming period 2007-2013 is one of seven regional operational programs, which replaced one Joint Regional Operational Programme (JROP) implemented in the Czech Republic in the shortened period 2004-2006.

The Regional Operational Program NUTS II South-East is a subject for realization of economic and social cohesion and it encourages a complex development of the region. It is intended for the cohesion region South-East consisting of the Regions of South Moravia and the Highlands. The ROP NUTS II falls within the objective of Convergence and is co-financed by the ERDF. Global aim of the program is a rise of competitiveness and welfare of the region along with increasing living standard of its inhabitants. Specific aim is to improve the quality of transport infrastructure, while respecting the environment protection, increase tourism and region's economic prosperity and make a better quality of living standard for its citizens. (Chvojková, 2007)

Among specific ROP SE's objectives are defined:

- "Improve the transport accessibility and transport services of the region while respecting environmental protection;
- Increase the proportion of sustainable tourism in the economic prosperity of the region;
- Improve the living conditions of people in towns and rural areas" (ROP South, 2011)

There are 4 priority axes included in the ROP SE. These are further specified by means of so-called areas of support, which define the projects that may be financed and supported within the relevant priority axis.

The ROP was approved by the European Commission on 3 December 2007 and the amount of EUR 704.45 million has been reserved for The Regional Operational Program NUTS II South-East (ROP SE), which is approximately 2.64 % of all finances intended for the Czech Republic from the EU funds within regional policy. In addition, the program financing is to be increased by another EUR 124.31 million from the Czech public sources.

(ROP South-East, 2011) The body who is in charge of the ROP South-East is the Regional Council of the South-East Cohesion Region.

All these following subjects can ask for the support: regions, municipalities, and unions of municipalities, organizations established or founded by regions or municipalities, railway operators, non-governmental non-profit organizations, small and medium-sized entrepreneurs, citizens and many others.

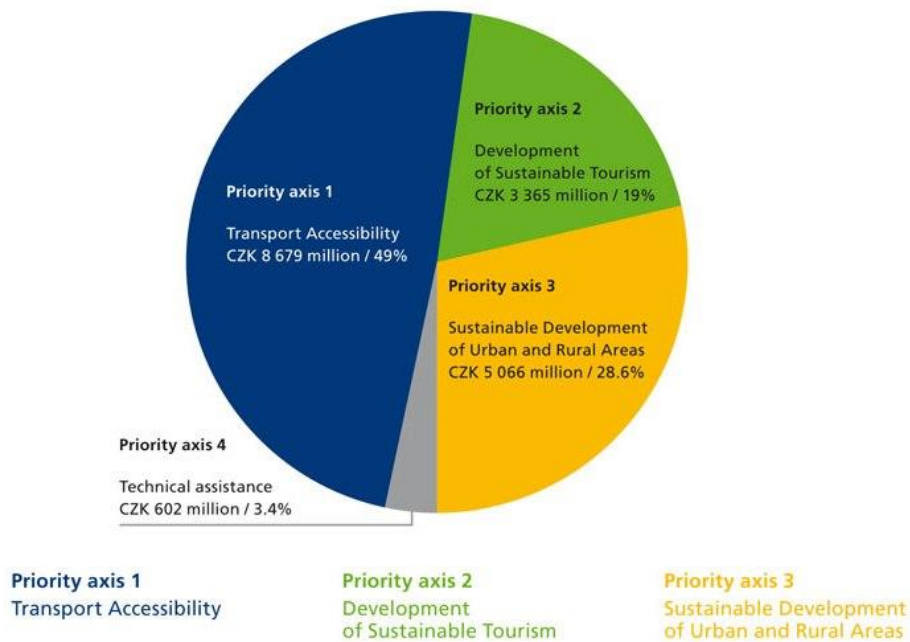
Priority axes of ROP NUTS II South-East

The ROP SE includes 4 priority axes dividing the regional operational program into logical units and those are further specified by means of the so-called areas of support, which define the types of projects that may be supported within the respective priority axis. Concretely, there were defined these following priority axes:

- Transport Accessibility
- Sustainable Tourism Development
- Sustainable Development of Towns and Rural Settlements
- Technical Assistance

The European Commission approved the operational program on 3 December 2007. In Figure 2 below, you can see how financial resources have been divided among the four priority axes of the ROP SE. You can see that the highest amount of financial resources is sent to the priority axis 1 Transport Accessibility (49%). On the contrary, the lowest support has Priority axis 4 Technical Assistance (3.4%).

Figure 2: Priority axes of the ROP SE (Exchange rate 1 EUR = 25.143 CZK)



Source: (ROP South, 2011)

Transport Accessibility

The amount of financial resources that has been reserved for the priority axis 1 from the EU reaches CZK 8 679 million. (Approximately 49% of the ROP SE) (Regionální ROP South-East, 2011)

There are these following areas of support within the priority axis 1:

- **Transport infrastructure development in the cohesion region (CZK 6 421million / 74%)**

This includes reconstruction, modernization, continued repairs and construction of the class II and III roads including bridges, construction and reconstruction of bridges, infrastructure of public international civil air sports.

- **Transport services and public transport development (CZK 875 million / 10.1%)**

This includes installation of information traffic systems, modernization of ecological means of transport for mass transportation, construction of paths for cyclists, pedestrians, etc.

- **Public transport rail rolling stock** (CZK 931 million / 10.7%)

The investments flow into restoration of wagon stock, purchase of new and modernization of rail cars providing urban mass transportation.

- **Unpowered transport infrastructure** (CZK 452 million / 5.2%)

It is a support of construction and reconstruction of cycling tracks with communication's modification and road signalling determined only to cyclists, skaters and pedestrians, realization of precautions to increase the security of cyclists and pedestrians in villages.

Development of Sustainable Tourism

For priority axis 2, financial funds which have been reserved from the EU funds amounts CZK 3 365 million, approx. 19% of the ROP SE. (ROP South-East, 2011)

The areas of support within the priority axis 2 are following:

- **Development of infrastructure for tourism** (CZK 2860 million / 85%)

This area supports installation of information traffic systems, modernization of ecological means of transport for mass transportation, construction of paths for cyclists, pedestrians, etc., marking, repairs and adjustments of cycling tracks, tracks for pedestrians, skiers and horse-riders, nature trails, reconstruction or development of access roads including the related parking places and pavements, creation of marketing tourism strategies, development of tourism information systems and places with publicly available internet, marketing and information campaigns focused on promotion of the region, etc.

- **Development of services in tourism** (CZK 505 million / 15%)

Through this area the support is aimed at marketing strategies focused on region's promotion as a unique tourist destination, support of certain tourist products, creation of tourist information systems promoting attractive sites, development of information system with internet access for tourists and other visitors of the region.

Sustainable Development of Urban and Areas

The financial resources reserved for the priority axis 3 from the EU funds comprises approximately 28.6% of the ROP SE, which amounts CZK 5 066 million. (ROP South-East, 2011)

The areas of support within this priority are as they follow:

- **Development of urbanisation centres** (CZK 2 049 million / 40.5%)

This includes restoration of historical centres, adjustment of public premises (squares, parks, children playgrounds, public greenery); investment projects in education, higher quality of facilities in educational institutions, modernization and improvement of quality of equipment of the educational facilities, regional facilities of health and social care; improvement of infrastructure for social integration and development of culture and sports, for work with children, national minorities; regeneration and revitalization of brown fields; construction of parking places and technical infrastructure as canalization, public lighting, water supply, etc.

- **Development of regional centres** (CZK 1 256 million / 24.8%)

Among this we include complex adjustment of public areas, construction and reconstruction of related transport and technical infrastructure, modernization of education facilities with focus on higher success on labour market, restoration of regional facilities of health and social care.

- **Development and stabilisation of rural areas** (CZK 959 million / 19%)

This invests into supply of services, revitalization of rural areas with focus on public infrastructure, modernization and use of various buildings to provide the services to people, development support of ICT in areas affected by market failure, etc.

- **Public services of regional significance** (CZK 802 million / 15.7%)

This area involves support of increase in a quality of life, investments projects focused on construction and modernization of facilities for lifelong education along with improvement of quality of facilities necessary for the education and its improvement.

Technical Assistance

The amount of CZK 602 million has been reserved for priority axis 4 from the EU funds, i.e. approx. 3.4 % of the ROP SE. (ROP South-East, 2011)

The areas of support include:

-financing of activities connected with the program management, for example wages of employees engaged in the ROP SE management, selection of projects, monitoring of projects and of the program, processing of studies and analyses, program promotion, provision of information, provision of assistance and methodical help to potential project applicants, preparation and realization of projects of education programs, etc.

4. ANALYSIS OF DRAWING OF FINANCIAL RESOURCES FROM THE STRUCTURAL FUNDS IN THE DISTRICT OF ŽĎÁR NAD SÁZAVOU

This part of the diploma thesis is based on formulation of regional policy and the theoretical analysis of structural funds' functioning focused on the ROP NUTS II South-East. It is dedicated to the analysis of capability of drawing financial resources from the EU structural funds in the period 2007-2013. The analysis is made in the district of Žďár nad Sázavou. The analysis concerns a current state of drawing financial resources approximately midway of the running period 2007-2010. Partly, the analysis includes the shortened period 2004-2006. The analysed area is the district of Žďár nad Sázavou.

4.1. Characteristic of the district of Žďár nad Sázavou

Žďár nad Sázavou is the city with 22 344 inhabitants and 3 706 hectares (Žďár nad Sázavou, 2011), located in the south-east of the territorial unit NUTS III Highlands. Concerning European regional policy, Žďár nad Sázavou is a part of the South-East Cohesion Region. Žďár nad Sázavou used to be a district town until 2003. After a reform of public service, Žďár has become a municipality with extended power.

4.2. Empirical part

4.2.1. Selection of respondents

The analysis is made on the past district of Žďár nad Sázavou, henceforth called the district of Žďár nad Sázavou. In the area, there are 174 of cities, small towns and municipalities in total, henceforward called municipalities only. The aim was to include in the analysis the highest number of these municipalities and with different share of municipalities according the number of population. Finally the analysis includes 66 municipalities in the district of Žďár nad Sázavou.

4.2.2. Distribution of questionnaires

The questionnaires were sent through emails to 112 municipalities in the district of Žďár nad Sázavou during the end of the year 2010. The emails were sent to the mayors of the chosen municipalities. The number of returned questionnaires by email was not even 2/5. Therefore, it was necessary to contact the mayors by telephone or by personal contact. It was not easy at all to obtain the information from them and the collection of the questionnaires back took a quite long time. Finally, the number of answered questionnaires is 66. Despite the fact, that it is not even a half of all municipalities of the district of Žďár nad Sázavou, we may consider this selection to be predicative. This is supported by the fact that in the district of Žďár nad Sázavou, most of the municipalities have less than 500 inhabitants (71%) and the share of these municipalities included in the analysis is 58%. The aim was to get most of the questionnaires from municipalities with inhabitants less than 500. The lowest number of questionnaires should have been received from the municipalities with more than more than 5000 as there are only few of them in the district of Žďár nad Sázavou. The share of these biggest municipalities in the analysis is only 6%, so we may consider the selection of municipalities quite predicative. The rest of the questioned municipalities have 500-4999 inhabitants (36%).

The municipalities included in the analysis:

City: Žďár nad Sázavou, Bystřice nad Pernštejnem, Nové Město na Moravě, Velké Meziříčí.

Small town: Křižanov, Ostrov nad Oslavou, Jimramov, Měřín, Bohdalov, Nové Veselí, Vojnův Městec

Municipality: Bohdalec, Nové Dvory, Bobrová, Bory, Budeč, Dalečín, Hamry nad Sázavou, Horní Libochová, Horní Rožínka, Kadov, Kněževes, Kozlov, Krásněves, Krásné, Kuklík, Kunderatice, Křídla, Křižánky, Lhotka, Meziříčko, Milešín, Mirošov Moravec, Moravecké Pavlovice, Nová Ves u Nového Města na Moravě, Nové Dvory, Nížkov, Obyčtov, Oslavička, Osová Bitýška, Otín, Ořechov, Pavlov, Polnička, Radešín, Radešínská Svratka, Radostín nad Oslavou, Račín, Rovečné, Rudolec, Sazomín, Sklené, Unčín, Vatín, Velká Losenice, Škrdlovice, Karlov, Cikháj, Rodkov, Jámy, Vepřová, Vídeň, Štěpánov nad Svratkou, Počítky

Microregion: Bystřicko, Račice, Novoměstsko, Pod Peperkem, Subregion Velké Dářko, Okolí Vírské přehrady

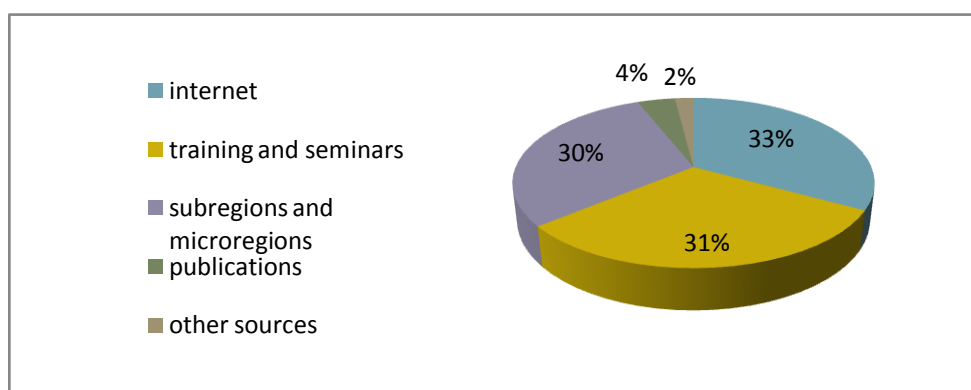
4.2.3. Analysis of results

This part is devoted to the analysis of answers received through the answered questionnaires. The results are analyzed in tables, graphs or by verbal designation. In framework of the analysis, this part involves a testing and a measurement of relation between two categorical dichotomic variables.

Question 1: How do you get necessary information about the use of financial means from the structural funds?

The structural funds are determined for poorer or in other way disadvantaged regions. The first step, necessary to do so that the region can draw financial resources from the structural funds, is to obtain all necessary information about this area. The question should have found out, how the municipalities in the district of Žďár nad Sázavou get these information. The answers that emerged from the questionnaires are shown in Figure 3. Most of the information are got from internet sources (33%), different seminars and trainings or the information is provided by sub regions and micro regions in the district of Žďár nad Sázavou. Another source mentioned by some municipalities was from neighbouring municipalities which have already had some experiences with drawing funds from the EU.

Figure 3: Data acquisition about drawings of financial means from the EU funds

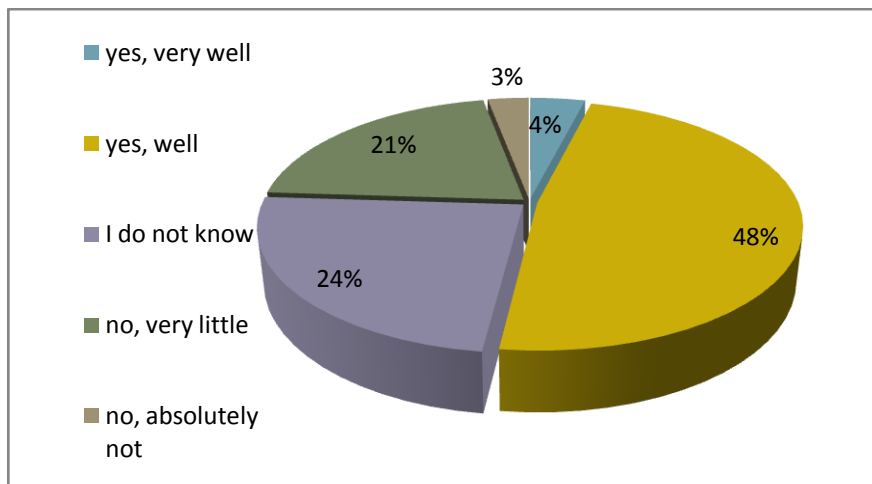


Source: Own elaboration

Question 2: Do you think that you understand the declared call for financial support from the structural funds? Are you able to incorporate your project intention to right operational program?

As you begin to deal with the subject of the structural funds, you realize the complication of the whole process related to the drawing financing resources from the structural funds. It is neither simple to understand the calls nor to be well acquainted with individual operational programs. This phase of project cycle should not be underestimated as it is a beginning of the cycle. The aim of this question was to find out to what degree the mayors of the municipalities understand the announced calls and whether they know exactly how to place their project intention to the right operational program. According the results in Figure 4 below, almost 50% of the questioned mayors answered that they understand the part preceding a single elaboration of application well. This is not a very good result. The share of the mayors who are not sure enough in this phase of the process cycle is obviously high. This may have a significant influence on the results from the questions 9 and 10.

Figure 4: Comprehensibility of declared appeals, capability to incorporate project intention to right OP



Source: Own elaboration

Question 3: Have you already taken the opportunity to draw the financial means from the structural funds for the programming period 2007-2013?

The aim of this question was to find out how many questioned municipalities have already received a financial support from the structural funds. As it is shown in Table 7, an absolute majority of the municipalities (97%) have taken opportunity to draw financial means from the EU funds in 2007-2013. This result seems to be very optimistic as almost all of the questioned municipalities have already received grant from the EU.

Table 7: Opportunity taken to draw financial means from the EU funds in 2007-2013

Opportunity taken to obtain grant	Number
YES	64
NO	2

Source: Own elaboration

Question 4: If yes, from which operational programs have you drawn the financial resources and how many times? Which structural funds financed your projects?

This question was fundamental for the research as the aim was to find out the allocation of applications. The assumption according set hypothesis was that most of the applications would be made within the ROP NUTS II. The ROP NUTS II is a program which should offer such a support, which results from the region's needs. As you can see in Table 8 below, applications of questioned municipalities have been aimed mainly at Thematic OP (82%) and 76% of them were aimed at Integrated Operational Programme. This may be explained by already mentioned project Czech Point. According further information obtained on the website of the Czech Point, this was the project within which 97% of all asked municipalities received a financial support in the period 2009-2010. Other applications for financial support are focused on OP Environment (12%) and the ROP NUTS II is on the third place with the share of 18%. In framework of the ROP NUTS II, most of applications were made within Sustainable Development of Towns and Rural Settlements and Sustainable Tourism Development (10%). Another OP through which the municipalities applied or received grant is OP Human Resources and Employment (8%).

According to the results, most of the projects were co-financed through ERDF (91%) and the rest of the projects were co-financed by the second structural fund ESF (9%).

Table 8: Number of successful applications according to operational programs:

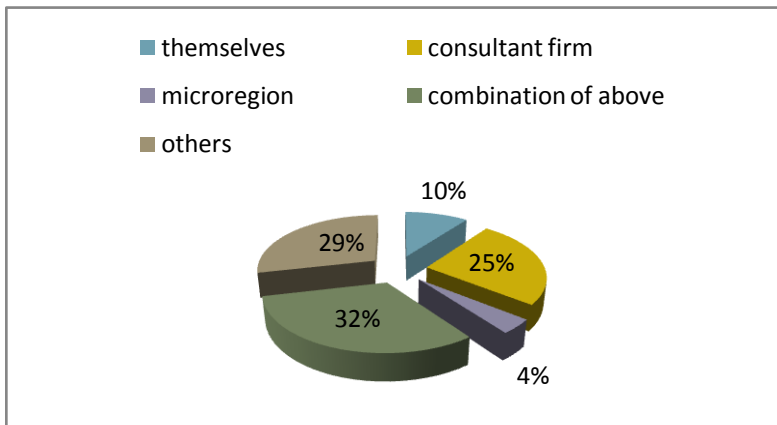
Operational programs	Number of successful applications	Share (in %)
ROP NUTS II- Transport accessibility	1	1
ROP NUTS II- Sustainable Tourism Development	8	7
ROP NUTS II- Sustainable Development of Towns and Rural Settlements	12	10
Thematic OP – Environment	14	12
Thematic OP – Human Resources and Employment	9	8
Integrated Operational Programme	72	62
Total	116	100

Source: Own elaboration

Question 5: Who did make the applications?

By means of this question, it was intended to find out the degree to which representatives of municipalities are able to make applications themselves or they have to cooperate with other subjects. Figure 5 shows that 25 % of the applications were made by a consultant firm. Most of them take advantage of more subjects to help them with the applications. The share of the applications made by themselves is very low only 10%. This corresponds with the results of the question 2 according to which only a half of the mayors understand the calls and the OPs well.

Figure 5: Who does make the applications



Source: Own elaboration

Question 6: If you made the application yourselves, how many of them were successful, how many unsuccessful?

If you have the applications made by other subjects, how many of them were successful, how many unsuccessful?

The data obtained from this question are elaborated in the association table (Table 9). The aim of this question was to find out if there is a relation between the two categorical dichotomic variables A, B (association). In case there is an association, the aim was to calculate the tightness of the dependence.

Used notation:

Variables:

A.....who does make applications?

B.....success of applications

Subcategories:

a₀- applications made by themselves

a₁- applications made by other subjects

b₀- successful applications

b₁- unsuccessful applications

Firstly we have to follow the Chi-Square Test to find out if there is a relation between A and B. This test is used because the number of observations $n > 40$.

We set hypotheses:

H₀: There is no association between the two variables

H₁: H₀ is not true

According the formulas in methodology, here are necessary calculations: (the values necessary are in Table 9)

$$\chi^2 = \frac{n \cdot (a \cdot d - b \cdot c)^2}{(a+b)(c+d)(a+c)(b+d)} = \frac{162 \cdot (31 \cdot 12 - 34 \cdot 85)^2}{65 \cdot 116 \cdot 46 \cdot 97} = 30,53$$

$$(df) = (r-1) \cdot (c-1) = (2-1) \cdot (2-1) = 1$$

1. At significance level $\alpha = 0,05$ $\chi^2_{0,05(1)} = 3,84146$
2. At significance level $\alpha = 0,1$ $\chi^2_{0,1(1)} = 6,63490$ (Hill, 2006)

If $\chi^2 > \chi^2_{\alpha} \Rightarrow H_0$ is disapproved and H_1 is approved.

1. $30,53 > 3,84146 \Rightarrow H_0$ is rejected and H_1 is true.
2. $30,53 > 6,63490 \Rightarrow H_0$ is rejected and H_1 is true

H₁: H₀ is not true

Result: There is an association between the two variables A, B. Success of made applications is dependent on a subject who made the applications. Now, we have to calculate the association coefficient V to find out the tightness of the dependence between the two variables.

Table 9: Association table of the two variables A, B

Applications made by	Applications are		Total
	Successful	Unsuccessful	
Themselves	31	34	65
Other subjects	85	12	97
Total	116	46	162

Source: Own elaboration

Using the formula for the association coefficient V, the association coefficient is calculated:

$$V = \frac{32 \cdot 12 - 34 \cdot 85}{\sqrt{(31+34) \cdot (85+12) \cdot (31+85) \cdot (34+12)}} = -0,432$$

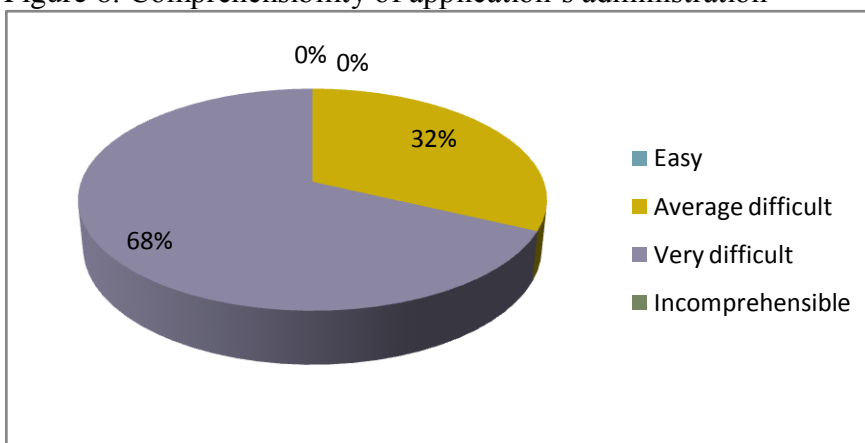
As the value of association coefficient ranges $< -1, 1 >$, according this result we can say that between these two variables A, B there is a middle rate of dependence and it is indirect. Therefore, there is an association between the two variables but the tightness of dependence between the subject who made applications and the success of applications in the district of Žďár nad Sázavou is not high. Based on this result, there is a recommendation in the chapter 4.3.

Question 7: What do you think about the comprehensibility of the project administration?

This question relates to the question 5. It informs us about respondent's opinion about administration comprehensibility which is connected with making application.

If the respondents consider it difficult, as the results show (Figure 6), it is obvious that the municipalities will make use of other subjects to help them with the applications. Figure 6 below shows the results very clearly. Nobody considers the administration easy. On the contrary, most of them consider it very difficult (68%). Therefore, the results of this question correspond to the answers of the question 5. It is little optimistic that none of the respondents consider the process incomprehensible.

Figure 6: Comprehensibility of application's administration

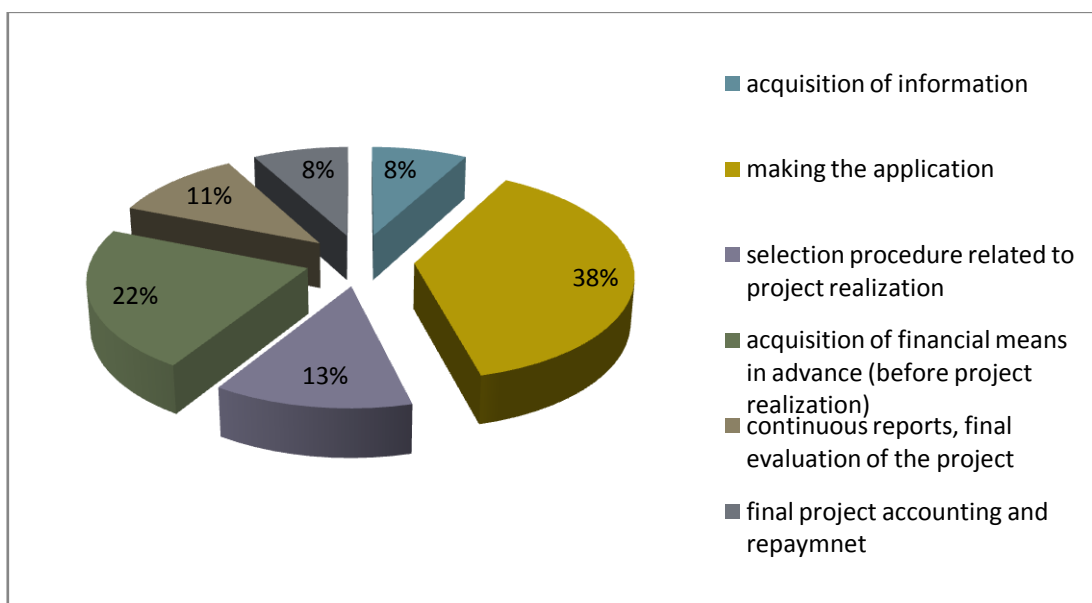


Source: Own elaboration

Question 8: Which part of your project's realization process do you consider the most difficult?

In the framework of this question, the intention was to involve the most difficult phases of the whole process within the project cycle. It begins with an application elaboration and ends with final accounts and repayment. The phases of the project cycle that are considered to be the most difficult to the mayors are shown in Figure 7 below. Altogether, the most complicated phase seems to be making of application (38%). This confirms the results of previous questions 6 and 7. According the answers, the second most difficult part is to obtain financial resources in advance of the realization of the project (22%). It is given mainly by the size of municipalities of the district Žďár nad Sázavou because there are many municipalities with lower than 500 inhabitants. These municipalities do not have high budgets and their possibilities to acquire the financial means in advance of repayment are very limited.

Figure 7: Difficulty of individual phases of the project cycle



Source: Own elaboration

Question 9: How many applications have you made since 2007 or have been made so that you should have been a recipient?

Question 10: How many of made applications have been successful or and waiting for the approval?

The question 9 provided a number of applications which were made during the period 2007-2010. For a deeper analysis, there is a question 10 which is focused on the success of these applications. There is Table 10 below which elaborates the obtained data from both questions. In the last column, there is an expression of the success of their applications in %. The smallest municipalities have the most of successful applications with 76%. As a whole, the success of the questioned municipalities is 72%. This may seem to be a quite high number nevertheless we should look at it from opposite side. There is still a failure of about 30% in made applications. These failures may be explained by the higher number of made applications during this period. Such an increase causes that the projects' expenditures, for which the applications are made, exceed significantly the budget allocated from the EU for these projects. This means that all projects, for which the applications are made, must be of the highest quality to make them successful. Anyway, some applications might not be successful because of some insufficiencies in the applications.

Looking at the results of the question 2, there may be a direct connection to number of made applications. It is clear that high number of mayors, who do not understand the calls or are not able to incorporate the project intention to the right OP, decreases number of made applications. Therefore, the municipalities lose chance to have more successful applications. As you can see the success of made applications regarding the municipalities' size is not so big. We cannot say that the size of municipalities has influence on the success of applications.

Table 10: Number of applications made in 2007-2010

Number of inhabitants of the municipalities	Number of made applications	Number of successful applications	Number of applications waiting for approval	Success (In %)
Under 500	56	41	2	76
500-4 999	61	39	3	67
5000-49 999	55	36	5	72
All	172	116	10	72

Source: Own elaboration

Then the results from this question are elaborated according the number of population of the questioned municipalities (Table 11). This provides us information about the use of financial resources from the structural funds with respect to the population of the municipalities.

Table 11: Number of successful applications according to number of inhabitants in municipalities

Number of successful applications	Municipalities < 500 inhabitants	Municipalities with 500-4999 inhabitants	Municipalities with 5000-49 999 inhabitants
0	1	1	-
1	33	14	-
2	4	4	-
3	-	4	-
5	-	1	-
8	-	-	2
9	-	-	1
11	-	-	1
Average number of successful applications	1	2	9

Source: Own elaboration

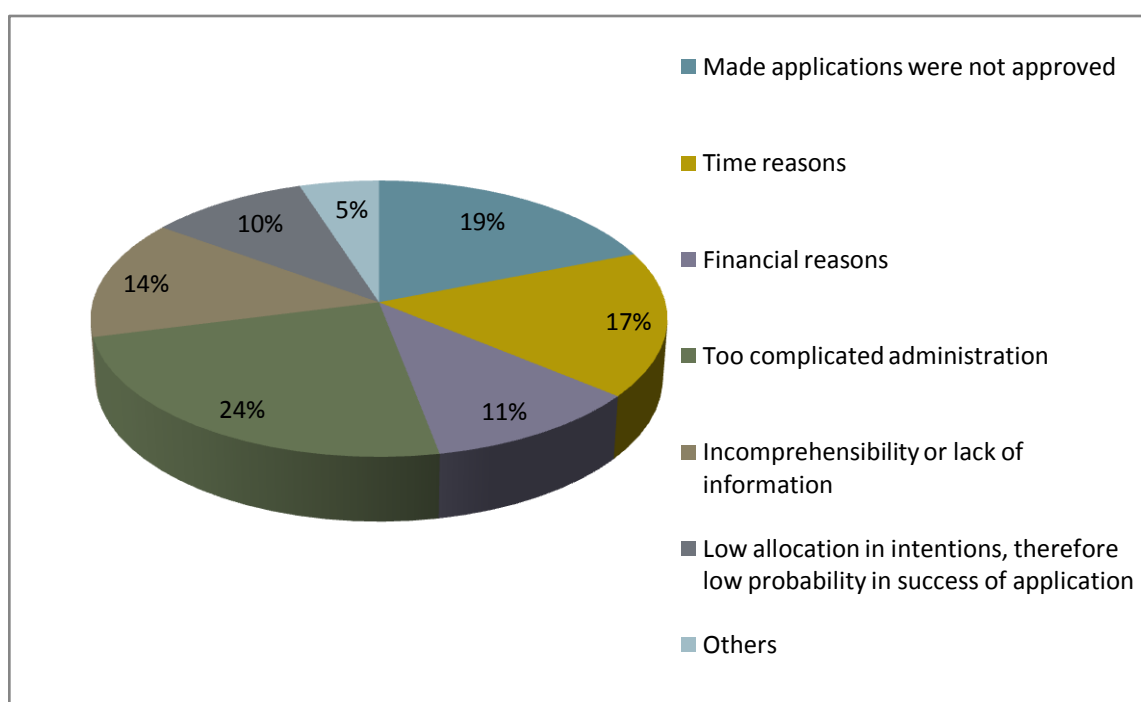
The data was used for the computation of average number of successful projects according the number of inhabitants. As you can see in Table 11, while municipalities with lower than 500 inhabitants have in average one successful project, the municipalities with 500-4999 inhabitants have rounded up 2 projects in average. The municipalities with over than 5000 in the district are much more successful according the data. Each of them has 9 successful projects in average. In the table you can see that a considerable number of municipalities have been supported from the structural funds only once.

Question 11: In case you wanted to make or you wanted to have made the application but finally you did not, what was the reason?

Sometimes the municipalities would make an application for support, but there are some difficulties they have to face. The goal of this question was to find out the reasons why they have been discouraged to apply. The results are seen in Figure 8. The highest share

has a too complicated administration (24%) that corresponds with the results of previous questions. Another reason is limited time period (17%). The problem might be the transparency of calls and mainly short time period of the call's duration. For this reason, they may not be able to fulfil some obligatory supplements (for example building permission). Regarding these administrative restraints many applicants do not make the date. Further, a number of municipalities are discouraged by their experience with made applications which were not successful.

Figure 8: Reasons for not making the applications



Source: Own elaboration

Question 12: What is the amount of financial means which has been allocated to your projects from the structural funds in the programming period 2007-2013 in total? And what is the amount you have already received?

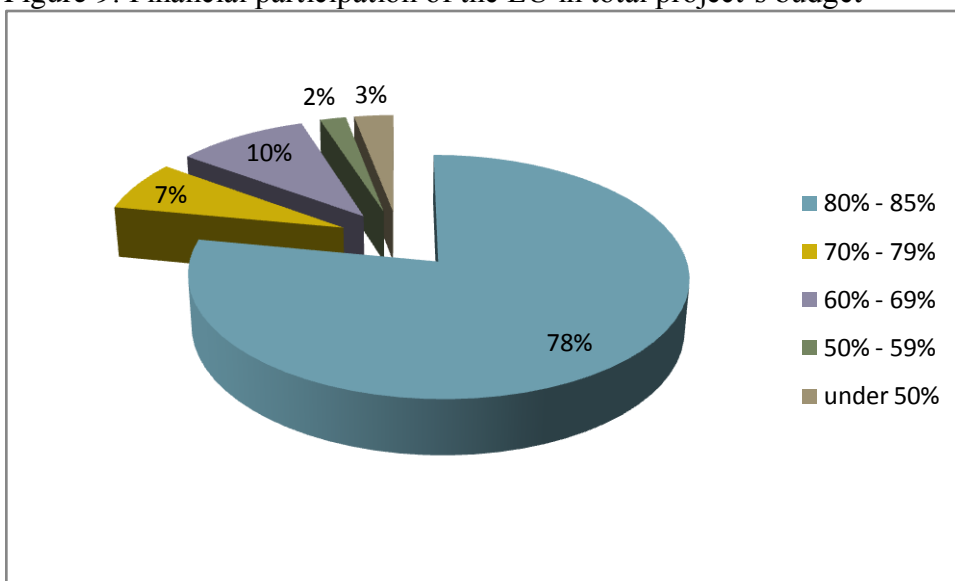
The aim of this question is to get concrete numbers from respondents and provide a total amount informing us about drawing financial resources. The total amount of financial resources allocated to the questioned municipalities in district of Žďár nad Sázavou until the end of 2010 is CZK 350 440 046. 6. The amount received until the end of the year

2010 is CZK 276 901 867. 7. So, it means that the amount of CZK 73 538 178. 9 still has not been paid.

Question 13: What was the financial participation of the EU in total project's budget?

This question tries to find out, to which amount the EU participate in individual projects as the EU co-finances up to 85% of eligible expenditure. These eligible expenditures do not always refer to the total expenditures of realized projects. This question seems essential to evaluate the capability of municipalities to prepare projects mostly with eligible expenditures: Personally, I assumed that the participation will be much lower than the results. The percentage of financial participation of the EU in most of the projects moves around 80% while the absolute majority of answers falling within this range, answered 85% (Figure 9). In average, the EU has co-financed by 73% of the project's total costs. We may consider that the municipalities are quite capable to prepare projects with a high share of eligible costs.

Figure 9: Financial participation of the EU in total project's budget

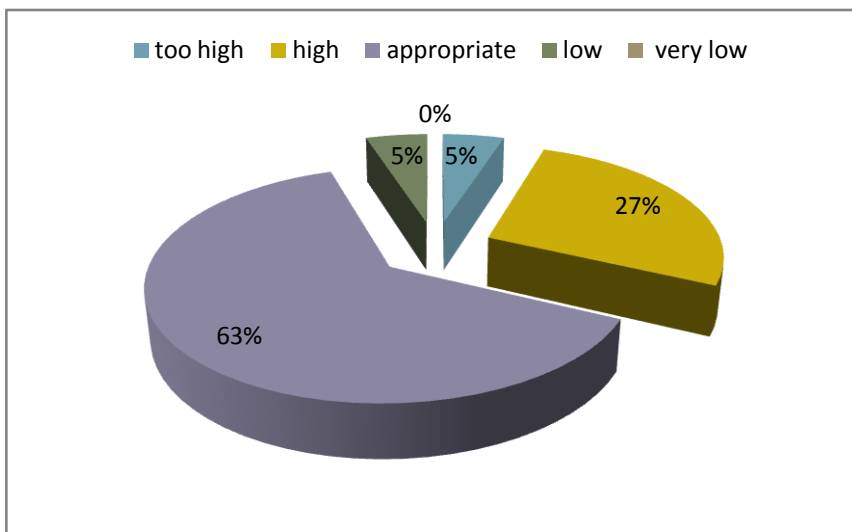


Source: Own elaboration

Question 14: You consider the amount of the EU financial participation in the projects expenditures:

This question one reflects the mayor's opinion about the share to which the EU co-finances the projects. As you can see in Figure 10 below, most of them think that the amount to which the EU funds financially participate is appropriate or high. However, there is still a considerable percentage of them who think that the participation is low. The mayors' consideration should not be underestimated as it has influence on future drawing of financial resources. Those who think that the rate is low might not be willing in future apply even for any support. And this is directly related to the ability to prepare the quality projects mainly with eligible expenditures.

Figure 10: Opinion about the rate of the EU financial participation in projects



Source: Own elaboration

Question 15: In case of the realized projects, think of the situation before and after the project realization. What are the effects of the realized project in your municipality?

Despite the complicated administration and difficulty of the process of gaining financial resources from the EU funds, most of the answered municipalities evaluate the benefits very positively. The municipalities of smaller size take this possibility as a great benefit, because without any financial support, they are not capable to realize any project of big

size. Here are the main references to the effects mentioned by the mayors, who have got an experience with finished projects. Most of the realized projects were through Integrated Operational Program. A majority of these projects were concerned with establishment of Czech Points in the municipalities. These projects bring a comfortable way how to communicate with offices and institutions. It has a great impact on people's standard of living. The projects within ROP NUTS II- Sustainable Development of Towns and Rural Settlements brought a better appearance, cultural revival and enhancement of a country life. By construction and repair of multifunctional buildings, primary schools and kindergartens, the mayors intend to expand capacity of these places and through this maintain young families in the municipalities. These projects are indirectly related to the projects that have been financed through the ROP NUTS II- Sustainable Tourism Development. These are concerned with cultural development of villages and cities as well and through which the tourism and attractiveness of the municipalities increase. As a benefit of the project of this type, the mayors mention mainly a restoration of culture element, preservation of objects charged as cultural heritage and construction of cycle tracks or pathways in surroundings of cultural monuments. Furthermore, we have to point out the projects financed within thematic OP- Environment which proves a higher consciousness about current problem of environment protection. These projects brought much better environment to the district of Žďár nad Sázavou. High number of projects was concerned with a pond's restoration and revitalization of power ponds. The projects which were financed through the OP Human Resources and Employment increased education in area of e-Government and effectiveness of municipal office's execution. For some municipalities, the benefit was transfer of knowhow and establishment of inter-sector partnership of the municipalities.

Question 16: Do you plan to apply for any financial support in the running period 2007-2013?

The goal of this question was to analyze the future prospects for drawing financial resources from the structural funds. As we are now in the beginning of the year 2011, the municipalities still have enough time to take the opportunity. In the framework of the programming period 2011-2013, valid rule for this period is $n+2$. This rule is based on a principle that every commitment to the European Commission must be fulfilled in two

years since the obligation was accepted. It means that in case the co-financing of the project is approved at the end of the year 2013, the financial resources may be drawn from the EU funds until the end of 2015.

According the answers, only 26 % of the questioned municipalities plan to made one or more applications in the period 2011-2013 (Table 12). Moreover, according the results from question there are 10 applications made in 2010 waiting for the approval. This means that the total number of successful projects until the end of the year 2010 is likely to be much higher than the number got in the question 10.

Table 12: Future prospects of applications

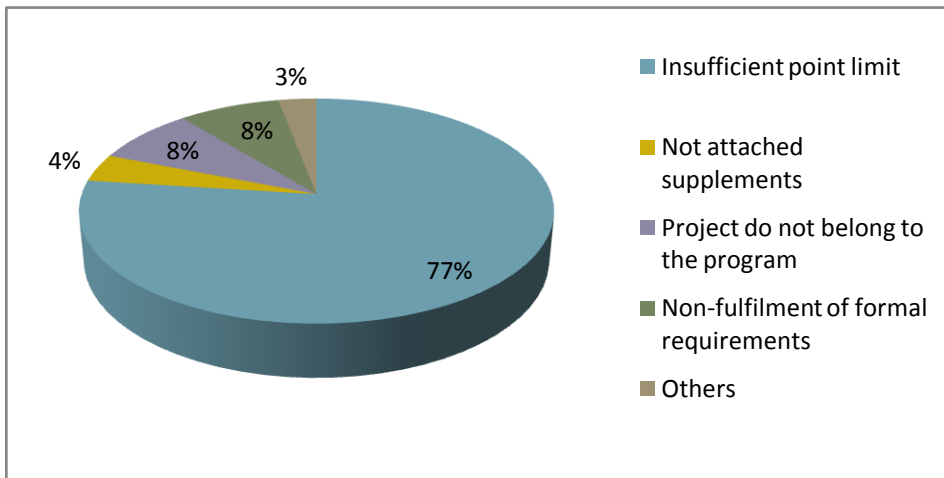
Willingness to apply for grant in future (in %)	
YES	NO
26	74

Source: Own elaboration

Question 17: In case the made application was not successful, what was the reason?

This question refers to the municipalities that have applied for any financial resources from the structural funds and their applications were not for some reason successful. I was interested, what stands behind this and why the share of unsuccessful applications was so high. Such a high number of disapproved applications is an evidence of a very high interest for obtaining financial support, which exceeds financial possibilities of the EU operational programs. There is a point limit which is important for the approval of the project. Although, not all projects that fulfil all requirements and supplements, have been approved. The reason is the point limit they have not exceeded. At present, only projects of the highest quality may be approved. This is proved by the data obtained from the questionnaires. In Figure 11 below, you can see the main reasons why the projects were not approved. One of the reasons is non-fulfilment of administration requirements (8%) or not attached supplements (4%). Some projects did not belong to the program or the projects did not receive enough points (the projects were not successful in the competition of other quality projects).

Figure 11: Reasons for unsuccessful projects



Source: Own elaboration

Following questions relate to the previous programming period 2004-2006. The results may be used for the comparison with the running programming period.

Question 18: How many applications did you make or was made so that you were a recipient during the period 2004-2006?

Question 19: How many of them were successful?

The results of these two questions confirmed the assumptions. The number of made and successful applications was significantly lower than in the running period. During the period 2004-2006, there were made only 27 applications by the questioned municipalities and only 44% were successful (Table 13). Moreover, only 10% of these municipalities have one or more successful applications. In context with this result, I can declare that in the running programming period 2007-2013 there is an obvious boom in making applications for grant from the structural funds. There is almost sevenfold increase in made applications during 2007-2010 compared to the period 2004-2006. Moreover, there is an apparent increase in made applications which were successful from 44% to 72% in the running period.

Table 13: Number of made applications/ Number of successful applications in the period 2004-2006

Number of inhabitants of the municipalities	Number of made applications	Number of successful applications	Success in %
Under 500	4	1	25
500-4 999	9	3	33
5000-49 999	14	8	57
All	27	12	44

Source: Own elaboration

20. If yes, from which operational program?

The aim of this question was not to analyze operational programs working in the period 2000-2006. It should only provide an idea to which OP the successful applications were allocated.

Overall, there were 12 successful applications and supported projects in the period 2004-2006. Most of these projects were financed through Joint Regional Operational Programme (JROP) which was supported from the ERDF. The JROP is a summary document which included the development priorities of seven cohesion regions, excluding the capital city Prague. The JROP was supported as part of Objective 1 in 2004-2006. The JROP promoted particularly the implementation of activities which fall within the competence of municipalities or regions. This may explain the highest share of projects supported through this program. Nevertheless, the assumption was that most of the projects were financed through Operational Programme Rural Development and Multi-functional Agriculture (OPRDMA) as it was based on sustainable development and the stabilisation of rural areas and was co financed by the EAGGF. However, through this OP were financed only 1/3 of them.

Question 21: What is the amount of financial resources received in the programming period 2004-2006? What was the financial participation of the structural funds in total project's budget?

The total amount of financial resources received by the questioned municipalities in the district of Žďár nad Sázavou in the period 2004-2006 is CZK 32 672 728.76. If we compare it with the total amount of received financial resources during the period 2007-

2010 we can see a very big progress. The amount received during the period 2007-2013 until the end of the year 2010 is CZK 297 622 613.64. We have to take into account that this is not the final amount because the amount allocated is much higher. Nevertheless, the amount received during 2007-2010 is more than nine times higher than during 2004-2006. According this result, we can see that the municipalities are conscious of the possibility to make use of resources from the structural funds.

The financial participation of the structural funds in total projects budget was in average 73%. Compared to the previous period, the average financial support remains more or less the same.

4.2.4 Discussion - approval or disapproval of hypotheses

This chapter is devoted to the evaluation of the practical part of the diploma thesis. Based on the results from practical part, we can approve or disapprove formulated hypotheses.

▣ Hypothesis 1

I suppose that in the running period (from 2007 until the end of the year 2010) the drawing of financial means from the structural funds is higher than in the previous period 2004-2006.

For the analysis of this hypothesis we use the results from the questions 12 and 21. Based on comparison of obtained data, we can see that there is a significant increase in drawing financial means from the structural funds in the running period 2007-2013. Firstly, it is obvious not only from the number of made applications, but the share of approved applications as well. This fact is supported by concrete numbers as well. In the previous programming period, the municipalities received from the structural funds CZK 32 672 728.76 whereas in the running period the amount reaches CZK 276 901 867.7. Moreover, there is the amount reaching CZK 73 538 178.9 which is promised to the municipalities by contract and which still has not been financed. This finding may be considered very optimistic. This situation corresponds to the fact that in the programming period 2007-2013 there is much more financial resources assigned to the Czech Republic than in the previous programming period. While the setting the hypothesis, the duration of

these two programming periods was considered. Anyway, the analysis is made during the period 2007-2010, which is only a year longer than the previous period.

Therefore, we may claim that the hypothesis 1 is true. The assumption of increased drawing of financial resources in the running period is confirmed. In the running period (from 2007-2010) the drawing of financial means from the structural funds is higher than in the previous period 2004-2006.

▣ Hypothesis 2:

I expect that half of the questioned municipalities in the district of Žďár nad Sázavou has taken opportunity to draw financial means from the structural funds in the period 2007-2013, and 50% of made applications were successful.

For approval or disapproval of this hypothesis we use the questions 3, 9, 10. From the elaboration of these question arises that 64 of total 66 questioned municipalities have taken the opportunity to draw financial means from structural funds. Moreover, the research provides information that 116 applications were successful of 172 made applications. There are still 10 applications on the way to be approved or disapproved. Therefore, we may claim that an absolute majority of the municipalities has drawn financial means and even more than a half of made applications was successful, exactly 72%. Moreover, we may expect that the number of successful application is up to increase by those in a process of approval.

Therefore, we may approve the hypothesis 2: Half of the questioned municipalities in the district of Žďár nad Sázavou applied for financial means from the structural funds in the period 2007-2013, and 50% of them were successful.

▣ Hypothesis 3:

I expect that the size of municipalities (number of inhabitants) has an influence on drawing financial resources from the EU structural funds.

As a part of the questionnaire, there is data about the municipalities of the district of Žďár nad Sázavou. One of them was a number of inhabitants, which is considered in the chapter 4.2.2 as an important element for the choice of the respondents. Further, we use the results from question 9 and 10 elaborated in two tables. These two questions provide information

not only about made applications but its success and even average number of successful applications according to number of inhabitants in the municipalities. The results arising from the two tables are: More than 2/3 of made applications were successful, while this finding does not reveal any significant dependence of the success on the size of municipalities. Thus, the results do not prove that municipalities with higher number of inhabitants have significantly more successful applications than municipalities with fewer inhabitants.

Therefore, the hypothesis 3 is rejected:

The size of municipalities does not have an influence on drawing financial resources from the structural funds.

▣ Hypothesis 4:

I expect that most of the successful projects were co-financed from the structural funds through ROP NUTS II Southeast.

To judge this hypothesis, we use the results from the question 4. As the assumption was that most of made applications fall within the ROP NUTS II South-East, the results are more than surprising. There were only 21 of the total 116 successful applications made through ROP NUTS II SE. What is the reason? As it was written before, a high share of applications were within the IOP for the project Czech Point which may definitely explain the results. Moreover, the analysis does not include other operational programs that are not co-financed through the structural funds and do not belong to the economic and social cohesion policy. This is the Rural Development Programme, a program document prepared for the period 2007-2013 which is aimed at development of rural areas in the Czech Republic. This program is co-financed through the European Agricultural Fund for Rural Development (EAFRD) which was founded for the new seven-year programme period and falls within the Common Agriculture Policy. As in the district of Žďár nad Sázavou, there is majority of municipalities with under 500 residents, we may suppose that a number of applications for a financial support was made within this program.

We may claim the hypothesis 4 to be untrue:

Most of the successful projects were not co-financed from the structural funds through ROP NUTS II Southeast.

4.3. Recommendations

The difficulties arises in all phase of the project cycle. Based on the results of the analysis, there are some recommendations for future improvement.

I would begin with the problem which is related to the duration of individual calls. According the results we can see that the applicants face difficulties with short time duration between the call is opened and closed. This short time period may cause that the applicants are not able to fulfil some obligatory supplements. In that case, potential applicants do not apply as they presume they will not make the date. I believe that it would be suitable to open the calls at least 2 months in advance, whereas I would consider 3 months optimal. Simultaneously, the calls should last about 2 (in better case 3) months.

Another problem arises when the applicants look for necessary information. In my opinion, there is too much information of different extent and quality. The applicants are disorientated and not able to acquire relevant information. This may be supported by my own experience while I was writing the diploma thesis. Therefore, from my point of view it would be convenient to establish such a place, where the basic information about all programs' calls and endowments titles financed through the structural funds are gathered. This place would unify all basic verified information that would be as transparent as possible.

The area in which a number of municipalities face difficulties is project's administration. A part of potential applicants decide not to make any application because of high administration intensity. This leads to a decrease in applicant's interest and the absorption capacity is unused. Therefore, some quality projects will not be given a chance to be approved. Here I am not sure about any effective and realizable solution. The only one way of help with this problem would be establishment of endowed consultancy for selected group of applicants (who would apply for this help).

The applicants often have the projects made by consultancy firm or other subjects. It happens that those projects do not fulfil any formal requirements and they even have no connection to reality. This should be solved by certification of consultants and consultancy firms. The certification would be executed by a chosen responsible body. This recommendation is supported by the calculation of the association between the success of made applications and subjects who made the applications. Although, according the results the association between these two variables is proven, the tightness of dependence is not very high. Therefore I believe that certified consultants and consultancy firms with higher qualification will be able to make more successful applications. Therefore, the more applications made by qualified consultants, the more successful applications and the higher tightness of dependence between the two variables.

From my opinion it would be suitable to put stress on absorption capacity of current programs and enable more flexible allocation within operational programs. In some cases, even the projects of high quality are not successful. It is caused by the overhang of the projects within a particular program. On the other hand, the allocation is overdesigned within another program, so that low-quality projects are approved. This will support mainly the high-quality projects and give them a chance to be successful.

5. Conclusion

The EU has during its existence passed through a long development. The economic situation of six foundation members was more or less comparable; hence there was no need for existence of common cohesion policy. As the membership extended to 27 member states, their economic maturity has significantly differentiated. While, some members belong to the most developed countries in the world, the states that entered the EU in 2004 are mostly the least developed countries. Within these expressive and deep regional, economic and social disparities, the establishment of policy which was supposed to represent a strong unit was required. And this was a purpose why the economic and social cohesion policy was established. At present, the regional policy is considered to be one of the most significant policies of the EU. This is proved by the fact that more than 1/3 of the total European Union's financial resources are spent on its realization.

Every member of the EU has an opportunity to draw a certain amount of financial resources to realize projects strengthening its economic and social position. It is essential that the public and all potential applicants for a financial support from the structural funds have an overview of the regional policy, structural funds, programming period 2007-2013 and operational programs. As the whole process of using the financial support from the structural funds is very complicated, the first partial objective of the diploma thesis is met in the literature overview.

The questionnaire was elaborated to analyze the drawing of financial resources from the structural funds. Achieving the second partial objective we have been provided with a crucial source for the analysis of drawing financial resources from the structural funds in the district of Žďár nad Sázavou. The obtained data reveals that the amount of received financial supports during the programming period 2007-2013 is significantly higher than in the previous period. We have found out that the municipalities in the district face many difficulties within the project cycle as a result of lack of relevant information, a number of administrative difficulties and short duration of individual calls. On the other hand, there are many benefits such as environment improvement, cultural and tourism development or increased standard of living and education. Based on the data acquired through the questionnaire, using Chi-Square Test we have found out that there is a relation between the success of made applications and the subjects who made these applications. The analysis of

association reveals that the tightness of dependence of these two variables is indirect and not high. As the third objective was achieved, all these findings have made it possible to reject or prove the four hypotheses we set in the beginning. It was not assumed that most of the applications had been made within the ROP South-East as this OP is supposed to offer to support the region's needs. Moreover, it has not been approved that the size of municipalities has an influence on drawing financial resources from the EU structural funds. However, almost all municipalities have already drawn financial resources from the structural funds and even more than 70% of made applications were successful. This finding exceeded the assumptions. The second true hypothesis has been approved, the amount of drawings of financial means from the structural funds during the running period has been over 7 times higher.

Based on the above mentioned findings, several recommendations and adjustments for future development have been derived. These involve an easier acquisition of relevant information to eliminate disorientation, an endowed consultancy for a chosen group of applicants and prolonged duration of calls. The emphasis on absorption capacity of current programming period might support mainly projects of the highest quality. Moreover, the association reveals that certification of consultancy firms and consultants might increase the efficiency of drawing the financial resources from the structural funds.

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7. Supplements

Supplements 1

Accompanying e-mail

Žďár nad Sázavou 22. 10. 2010

Dear mayoress and mayors,

My name is Martina Kadlecová and I am writing to ask you for a help with my diploma thesis.

I am going to graduate at Czech University of Life Sciences in Prague this year. I am finishing education with the diploma thesis – Structural Funds based on an example of the South-East Region.

Through this letter, I would like to ask you for filling up the questionnaire attached. Your answer will be used for elaboration of empirical part of the diploma thesis. I ask you to send the questionnaire back as soon as possible or at least until the end of the year 2010.

Thank you very much.

Yours sincerely,

Martina Kadlecová

Supplement 2

Questionnaire

Name of the municipality:

Number of the population:

Date:

1. *How do you get necessary information about the use of financial means from the structural funds?*

- a) internet
- b) seminars and trainings
- c) publications (literature sources)
- d) micro-region
- e) other sources

2. *Do you think that you understand the declared call for financial support from the structural funds? Are you able to incorporate your project intention to right operational program?*

- a) Yes, very good
- b) Yes, good
- c) I do not know
- d) No, very little
- e) Not at all.

3. *Have you already taken the opportunity to draw the financial means from the structural funds for the programming period 2007-2013?*

- a) Yes
- b) No

4. *Question 4: If yes, from which operational programs have you drawn the financial resources and how many times? Which structural funds financed*

your projects? (Please write down the OP, number of how many times you have drawn financial resources through the OP and from which structural fund)

.....
.....
.....

5. Who does make the applications?

- a) Ourselves
- b) Consultant firm
- c) Micro-region
- d) Combination of those mentioned above
- e) Others

6. If you made the application yourselves, how many of them were successful, how many unsuccessful?

If you have the applications made by other subjects, how many of them were successful, how many unsuccessful?

Yourselves: Successful.....Unsuccessful.....
Other Successful.....Unsuccessful.....

7. What do you think about the comprehensibility of the project administration?

- a) Incomprehensible
- b) Very difficult
- c) Average difficult
- d) Easy

8. Which part of your project's realization process do you consider the most difficult?

- a) Acquisition of the information
- b) Making the application
- c) Selection procedure related to the project realization

- d) Drawing of financial means in advance (before project realization)
- e) Continuous reports, final evaluation of the project
- f) Final project accounting and repayment

9. How many applications have you made since 2007 or have been made so that you should have been a recipient?

Number:

10. How many of made applications have been successful and waiting for the approval?

Number of finished:

Made applications waiting for the approval:

11. In case you wanted to make or you wanted to have made the application but finally you did not, what was the reason?

- a) Made applications were not approved
- b) Time reasons
- c) Financial reasons
- d) Too complicated administration
- e) Incomprehensibility or lack of information
- f) Low allocation in intentions, therefore low probability in success of application
- g) Others

12. What is the amount of financial means you received from the programming period 2007-2013 in total?

Amount:

13. What was the financial participation of the EU in total projects' budget?

_____ %

14. You consider the amount of the EU financial participation in the projects expenditures:

- a) Too high
- b) High
- c) Appropriate
- d) Low
- e) Very low

15. In case of the realized projects, think of the situation before and after the project realization. What are the effects of the realized project in your municipality?

.....

.....

.....

.....

.....

16. Do you plan to make some other applications in the running period 2007-2013?

- a) Yes
- b) No

17. In case the made application was not successful, what was the reason?

- a) Insufficient point limit
- b) Not attached supplements
- c) Project do not belong to the program
- d) Non-fulfilment of formal requirements
- e) Others

Additional questions to the programming period 2004-2006:

18. How many applications did you make or was made so that you were a recipient during the period 2004-2006?

Number:

19. How many of them were successful?

Number:

20. If yes, from which operational program?

.....
.....

21. What is the amount of financial resources received in the programming period 2004-2006? What was the financial participation of the EU in total project's budget?

Amount:

Participation in %:

