

**Wageningen University – Department of Social Sciences**

**Chair Group Management Studies**

**Chair Group Economics of Consumers and Households**

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**MSc Thesis**

**The regional policy of the European Union:  
What can the Czech Republic do  
to improve the Structural Funds utilisation?**

**March 2009**

**Monika Vostrovská**

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**MSc Programme:** Management, Economics and Consumer Studies  
**Specialisation:** Management Studies

**Thesis:** Management Studies  
MST-80433  
33 ECTS

**Research:** April 2008 – March 2009

**Keywords:** European Union, Regional Policy, Structural Funds, Czech Republic

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## Preface

This thesis entitled “*The regional policy of the European Union: What can the Czech Republic do to improve the Structural Funds utilisation?*” was written within the MSc Programme Management, Economics and Consumer Studies and specialisation Management Studies. Considering the cross-disciplinary topic of this thesis, two chair groups of the Wageningen University – Chair Group Management Studies and Chair Group Economics of Consumers and Households – supervised this thesis.

My deep personal interest in the Structural Funds, developed during working at the Czech Chamber of Commerce and the Ministry of Education, Youth and Sports of the Czech Republic, together with the topicality of this thesis’s topic contributed to selection of this particular topic. Taking into account the focus of this thesis on the Czech Republic and its Structural Funds utilisation, the thesis was written partially at the Wageningen University and partially in the Czech Republic.

Thereby, I would like to thank to all the three supervisors, who were involved in this thesis, namely Dr. Mr. H. J. Bremmers (Chair Group Management Studies, Wageningen University), Prof. Dr. W. J. M. Heijman (Chair Group Economics of Consumers and Households, Wageningen University), and Ing. K. Tomšík, Ph.D. (Department of Economics, Faculty of Economics and Management, Czech University of Life Sciences Prague). I heartily thank them for their valuable feedback on my thesis, their comments, advices and general support provided during writing this thesis.

I also would like to thank Mgr. B. Hošková, Mgr. K. Procházková and Ing. I. Tužinská (all from the Department of Education for Competitiveness Operational Programme, Ministry of Education, Youth and Sports of the Czech Republic) for consultancies on practical aspects of this thesis.

Finally, I would like to thank the six interviewed entities, remaining anonymous, for their cooperation in the interview conducted in the empirical part of this thesis.

## Abstract

The objective of this thesis, entitled “*The regional policy of the European Union: What can the Czech Republic do to improve the Structural Funds utilisation?*”<sup>1</sup>, was to provide measures that might improve the effectiveness of the SF utilisation in the CR by investigating the inner causes of the utilisation problems.

The thesis defined several sub-questions that were to answer the following two central research questions: *What are the inner causes of the SF utilisation problems in the CR? What are the measures that might tackle the SF utilisation problems in the CR?*

Theoretical part of the thesis, based on literature review, was split into two parts establishing theoretical framework of the thesis: first part provided general information on the EU’s regional policy and the second part provided information on relevant theory – the partnership principle of the EU’s regional policy. Empirical part of the thesis was divided into two qualitative data collection and analysis phases: the first phase dealt with documents review and the second phase dealt with six interviews conducted with the small FBs of the SF aid that are experiencing utilisation problems.

The empirical part of the thesis brought these conclusions:

The two data collection and analysis phases – documents review and interviews with six small FBs – revealed the following most restricting barriers to the SF successful utilisation in the CR that can be split into the manageable barriers (i.e. barriers that can be changed in the short- or long-term) and non-manageable barriers (i.e. barriers that cannot be avoided):

Manageable barriers that can be overcome in the short-term in the current programming period 2007-2013: *insufficient SF implementation structure’s administrative capacity* (i.e. insufficient personnel capacity of the implementation structure; high staff fluctuation resulting in instability of the implementation structure); *insufficient publicity, informedness and access to information* (i.e. insufficient informedness of applicants/FBs about the OPs, fields of aid and aid rules; terminologically ambiguous, incomprehensible, unclear, incomplete, non-transparent and out-of-date information provided for applicants/FBs (especially on the internet)); *non-transparent and lengthy SF projects assessment and selection*.

Manageable barriers that can be overcome in the long-term and actions to overcome them should be initiated in the current programming period 2007-2013: *unreformed Czech public administration*; related *insufficient communication, collaboration and coordination in the SF implementation structure* (i.e. lack of communication, collaboration and coordination of operational procedures within the SF implementation structure given by its complexity); *insufficient quality of projects* (i.e. low quality of projects due to inexperience of applicants (especially the small ones)).

Non-manageable barrier that cannot be avoided but can be minimised by taking certain actions in the current programming period 2007-2013: *insufficient financial, personnel and technical capacities of the small FBs* (i.e. insufficient financial, personnel and technical capacities of the small FBs to develop and manage quality projects).

Manageable barriers that can be overcome in the next programming period 2014-2020 by incorporating suggested measures in the CR’s programming documents for the next programming period 2014-2020: *complex SF implementation structure* (i.e. complex implementation structure of the OPs with too many authorities involved); *complex SF projects administration* (i.e. administrative-demanding project application elaboration; administrative-demanding project implementation; complex and unclear system of aid rules and formal requirements underlying the SF projects implementation in the CR; frequent changes in conditions and rules for applicants (and non-informing about them)); *problematic SF projects financial management* (i.e. lengthy and administrative-demanding process of eligible expenditures reimbursement); *problematic SF Programmes design* (i.e. insufficient involvement of relevant parties in the SF Programmes preparation); *problematic indicator system* (i.e. irrelevant, unrealistic and complicated indicators of the SF Programmes and projects); *late and slow SF Programmes start-up*.

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<sup>1</sup> Used abbreviations: Czech Republic (“CR”), European Union (“EU”), Final Beneficiaries (“FBs”), Intermediate Bodies (“IBs”), Operational Programmes (“OPs”), Structural Funds (“SF”).

The above mentioned most restricting barriers can be overcome by taking certain actions (and specific measures within these actions); importance of actions is not equal as each action has another priority:

Priorities of actions that the CR should take (or initiate) in the current programming period 2007-2013:

*Priority 1 – action: to reinforce the SF implementation structure’s administrative capacity (i.e. to reinforce the implementation structure’s personnel capacity by recruiting new competent staff; to reduce undesirable staff fluctuation by introducing a motivating system of remuneration (improved financial valuation) and introducing human resources development policies);*

*Priority 2 – action: to finish reform of the Czech public administration;*

*Priority 3 – action: to reinforce communication, collaboration and coordination in the SF implementation structure (i.e. to set mechanisms and conditions for a more intensive communication, collaboration and coordination within the implementation structure);*

*Priority 4 – action: to improve publicity, informedness and access to information (i.e. to improve information provision on the SF (information about the OPs, fields of aid, aid rules); to improve transparency and comprehensibility of information on the SF; to establish well-arranged and understandable information sources for applicants/FBs);*

*Priority 5 – action: to enhance quality of projects (i.e. to extend the offer of trainings for the FBs in the field of project development and management; to provide intensive support for applicants and project submitters (especially the small ones) during the project development in terms of continuous consultancies on project proposals, information activities, help with documentation preparation);*

*Priority 6 – action: to reinforce financial, personnel and technical capacities of the small FBs (i.e. to replace a regressive reimbursement of projects with a phase-based projects financing when individual project phases would be reimbursed; to reinforce the FBs’ capacities and expertise; to support cooperation of small and large subjects within integrated projects);*

*Priority 7 – action: to make the SF projects assessment and selection more transparent and accelerated.*

Priorities of actions that the CR should take in the next programming period 2014-2020 (i.e. measures that should be incorporated in the CR’s programming documents for the next programming period 2014-2020):

*Priority 1 – action: to simplify the SF implementation structure (i.e. to simplify the SF implementation structure by reducing the excessive number of the IBs);*

*Priority 2 – action: to simplify the SF projects administration (i.e. to simplify formal requirements and administrative complexity of projects applications; to simplify administrative complexity of projects implementation and to make it more efficient; to set clear and understandable rules for projects implementation; to change Programme conditions and rules as least as possible (and to inform applicants/FBs about them));*

*Priority 3 – action: to simplify the SF projects financial management (i.e. to accelerate financial flows to the FBs by simplifying procedures of expenditures certification and by simplifying the control of eligible expenditures; to establish an effective, efficient, simpler and transparent system of financial flows, which would be the most favourable for the FBs);*

*Priority 4 – action: to better design the SF Programmes (i.e. to improve involvement of relevant parties in the SF Programmes preparation);*

*Priority 5 – action: to improve the indicator system (i.e. to rationalise the indicator system);*

*Priority 6 – action: to timely declare the SF Programmes (i.e. to timely prepare the CR’s programming documents (before the start of the programming period) and to timely declare the SF Programmes (at the beginning of the programming period)).*

*Keywords: European Union, Regional Policy, Structural Funds, Czech Republic*

## Management summary

### Research design<sup>2</sup>

The SF are the basic instruments of the EU's regional policy contributing to strengthening the economic and social cohesion of the EU by reducing development disparities between its regions. The CR entered the EU together with other nine states on 1<sup>st</sup> May 2004; on this date the CR started utilising the SF. In total € 1 584.35 million had been allocated from the SF to the CR for the shortened programming period 2004-2006, whereas in the new programming period 2007-2013 in total € 17.872 billion is allocated from the SF to the CR, which makes it a significantly more important period. According to the basic n+2 rule, the CR is supposed to spend the SF allocations for 2006 by the end of December 2008. At the moment of starting this thesis (late March 2008), the CR has managed to utilise 74.60 % of its SF total allocation for 2004-2006, which ranked the CR eighth within the ten new member states, which joined the EU in 2004, with respect to the SF implementation ability in 2004-2006. Absorption model, applied at the beginning of this thesis, confirmed that the CR did not face SF utilisation problems in the shortened programming period 2004-2006 as a consequence of over-allocation of the SF but as a consequence of its inner utilisation barriers.

Thus, the objective of this thesis, entitled *“The regional policy of the European Union: What can the Czech Republic do to improve the Structural Funds utilisation?”*, was to provide measures that might improve the effectiveness of the SF utilisation in the CR by investigating the inner causes of the utilisation problems.

The thesis defined several sub-questions that were to answer the following two central research questions: *What are the inner causes of the SF utilisation problems in the CR? What are the measures that might tackle the SF utilisation problems in the CR?*

Seven hypotheses of inner causes of the CR's utilisation problems were formulated in order to be tested in the empirical research of the thesis.

### Theoretical part of the thesis

Theoretical part of the thesis, based on literature review, was split into two parts establishing theoretical framework of the thesis:

First, literature review provided general information on the EU's regional policy – that helps reduce differences between economic and social development of individual regions within the EU in terms of reducing disparities in income levels, output growth rates, and employment – in terms of purpose of the EU's regional policy, development of the EU's regional policy including main stages in the policy evolution and policy reform milestones, principles on which the EU's regional policy is based, effectiveness of the EU's regional policy to fulfil its intention to reduce regional disparities within the EU, and eligible regions based on the territorial statistical classification. Besides, strategic objectives, financial instruments (including the SF), programming processes and budget of the EU's regional policy were clarified for programming periods 2000-2006 and 2007-2013.

Second, literature review provided information on relevant theory. Documents review discovered that the partnership principle – that is delimited as a close consultation between the EC, the member state and its regional, local and other competent public authorities, and the economic and social partners during preparing, financing, monitoring and evaluating the SF assistance – is not legislatively anchored in the Czech legislation in the shortened programming period 2004-2006 even though it is a fundamental principle of the EU's regional policy. This legislative non-anchorage leads to insufficient fulfilment of the partnership principle at both programme and project level in the mentioned period. An extensive application of the partnership principle could overcome many of the discovered barriers preventing the CR from the SF successful utilisation; for this reason, the partnership principle was selected as the relevant theory suiting this research project. Literature review provided information on the partnership principle in terms of its interpretation, application in practice and value added.

### Empirical part of the thesis

Empirical part of the thesis was divided into two qualitative data collection and analysis phases. The first data collection phase dealt with documents review, i.e. collection and analysis of the

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<sup>2</sup> Used abbreviations: Czech Republic (“CR”), European Commission (“EC”), European Union (“EU”), Final Beneficiaries (“FBs”), Intermediate Bodies (“IBs”), Managing Authorities (“MAs”), Non-governmental Organisations (“NGOs”), Operational Programmes (“OPs”), Structural Funds (“SF”).

already existing materials related to the SF implementation in the CR. The second data collection phase dealt with six semi-structured face-to-face individual interviews conducted with the FBs of the SF aid that are experiencing utilisation problems. Documents review discovered that the small FBs (small municipalities, small enterprises, small NGOs) are entities having difficulties with the SF utilisation as they have insufficient financial, personnel and technical capacities for developing and managing quality projects, and thus interviews focused on these small entities having experience with the SF projects implementation in 2004-2006.

## Conclusions

### ▪ **Research question 1: *What are the inner causes of the SF utilisation problems in the CR?***

The two data collection and analysis phases – documents review and interviews with six small FBs – concluded that the most restricting barriers to the SF successful utilisation in the CR originate at the *'National government – Regional authorities' level*, *'Institutional' level*, and *'Private' level*.

The MAs, the EC and other authors (documents review) consider these barriers to be the most restricting ones to the SF successful utilisation in the CR:

*Barriers at the 'National government – Regional authorities' level:* complex SF projects administration; complex SF implementation structure; insufficient SF implementation structure's administrative capacity; insufficient communication, collaboration and coordination in the SF implementation structure; insufficient publicity, informedness and access to information; non-transparent and lengthy SF projects assessment and selection; problematic SF projects financial management.

*Barriers at the 'Institutional' level:* insufficient quality of projects; insufficient financial, personnel and technical capacities of the small FBs.

*Barriers at the 'Private' level:* insufficient quality of projects; insufficient financial, personnel and technical capacities of the small FBs.

The small FBs (interviews) consider these barriers to be the most restricting ones to the SF successful utilisation in the CR:

*Barriers at the 'National government – Regional authorities' level:* complex SF implementation structure; insufficient SF implementation structure's administrative capacity; complex SF projects administration; problematic SF projects financial management; problematic indicator system; late and slow SF Programmes start-up; insufficient publicity, informedness and access to information; unreformed Czech public administration; problematic SF Programmes design.

*Barriers at the 'Institutional' level:* insufficient financial, personnel and technical capacities of the small FBs.

*Barriers at the 'Private' level:* insufficient financial, personnel and technical capacities of the small FBs.

The above mentioned most restricting barriers can be split into the manageable barriers (i.e. barriers that can be changed in the short- or long-term) and non-manageable barriers (i.e. barriers that cannot be avoided):

Manageable barriers that can be overcome in the short-term in the current programming period 2007-2013: *insufficient SF implementation structure's administrative capacity* (i.e. insufficient personnel capacity of the implementation structure; high staff fluctuation resulting in instability of the implementation structure); *insufficient publicity, informedness and access to information* (i.e. insufficient informedness of applicants/FBs about the OPs, fields of aid and aid rules; terminologically ambiguous, incomprehensible, unclear, incomplete, non-transparent and out-of-date information provided for applicants/FBs (especially on the internet)); *non-transparent and lengthy SF projects assessment and selection*.

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▪ **Research question 2: *What are the measures that might tackle the SF utilisation problems in the CR?***

The above mentioned most restricting barriers can be overcome by taking certain actions (and specific measures within these actions); importance of actions is not equal as each action has another priority:

Priorities of actions that the CR should take (or initiate) in the current programming period 2007-2013:

*Priority 1 – action: to reinforce the SF implementation structure's administrative capacity* (i.e. to reinforce the implementation structure's personnel capacity by recruiting new competent staff; to reduce undesirable staff fluctuation by introducing a motivating system of remuneration (improved financial valuation) and introducing human resources development policies);

*Priority 2 – action: to finish reform of the Czech public administration;*

*Priority 3 – action: to reinforce communication, collaboration and coordination in the SF implementation structure* (i.e. to set mechanisms and conditions for a more intensive communication, collaboration and coordination within the implementation structure);

*Priority 4 – action: to improve publicity, informedness and access to information* (i.e. to improve information provision on the SF (information about the OPs, fields of aid, aid rules); to improve transparency and comprehensibility of information on the SF; to establish well-arranged and understandable information sources for applicants/FBs);

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*Priority 7 – action: to make the SF projects assessment and selection more transparent and accelerated.*

Priorities of actions that the CR should take in the next programming period 2014-2020 (i.e. measures that should be incorporated in the CR's programming documents for the next programming period 2014-2020):

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*Priority 5 – action: to improve the indicator system* (i.e. to rationalise the indicator system);

*Priority 6 – action: to timely declare the SF Programmes (i.e. to timely prepare the CR's programming documents (before the start of the programming period) and to timely declare the SF Programmes (at the beginning of the programming period)).*

The thesis provided specific measures that the CR should take within these actions.

▪ **Hypothesis assessment based on the outcomes of both the data collection phases**

The thesis formulated seven hypotheses of inner causes of the CR's utilisation problems that were tested in the empirical research.

Insufficient involvement of relevant parties in the SF Programmes preparation, complexity of administrative procedures, lack of information of the FBs rank among the CR's inner causes of the SF utilisation problems since these hypotheses were *confirmed* in the empirical research.

Co-financing difficulties of the FBs, lack of capacities of the FBs to prepare quality projects, lack of transparency in projects selection partially rank among the CR's inner causes of the SF utilisation problems since these hypotheses were *partially confirmed* in the empirical research.

Insufficient communication and cooperation between the Czech government and the regional authorities in the SF Programmes preparation does not rank among the CR's inner causes of the SF utilisation problems since this hypothesis was *rejected* in the empirical research.

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## List of abbreviations

CF	Cohesion Fund
CR	Czech Republic
CSF	Community Support Framework
CSG	Community Strategic Guidelines (on Cohesion)
EAGGF	European Agricultural Guidance and Guarantee Fund
EC	European Commission
EIB	European Investment Bank
EQUAL	European Communities Initiative
ERDF	European Regional Development Fund
ESF	European Social Fund
EU	European Union
Eurostat	Statistical Office of the European Communities
FB (FBs)	Final Beneficiary (Final Beneficiaries)
FIFG	Financial Instrument for Fisheries Guidance
GDP	Gross Domestic Product
IB (IBs)	Intermediate Body (Intermediate Bodies)
INTERREG	European Communities Initiative (Interregional Cooperation Programme)
IPA	Instrument for Pre-Accession Assistance
IS	Information System
ISPA	Instrument for Structural Policies for Pre-Accession
JROP	Joint Regional Operational Programme
LEADER	European Communities Initiative
MA (MAs)	Managing Authority (Managing Authorities)
MF	Ministry of Finance of the Czech Republic
MRD	Ministry for Regional Development of the Czech Republic
NDP	National Development Plan
NGO (NGOs)	Non-governmental Organisation (Non-governmental Organisations)
NSRF	National Strategic Reference Framework
NUTS	Nomenclature of Territorial Units for Statistics
OP (OPs)	Operational Programme (Operational Programmes)
OP HRD	Operational Programme Human Resources Development
OP I	Operational Programme Infrastructure
OP IE	Operational Programme Industry and Enterprise
OP RDMA	Operational Programme Rural Development and Multifunctional Agriculture
OP TA	Operational Programme Technical Assistance
PHARE	Poland and Hungary: Assistance for Restructuring of the Economy
ROP (ROPs)	Regional Operational Programme (Regional Operational Programmes)
RQ (RQs)	Research Question (Research Questions)
SAPARD	Special Accession Programme for Agriculture and Rural Development
SPD (SPDs)	Single Programming Document (Single Programming Documents)
SPD 2	Single Programming Document for Objective 2
SPD 3	Single Programming Document for Objective 3
SF	Structural Funds
URBAN	European Communities Initiative

# 1. Introduction to research design

## 1.1 Introduction

The introductory chapter of this thesis describes the research design, which provides an overview of the research structure and clarifies the aims, purposes, and plans to be carried out. The subsequent subchapters clarify the research background, problem definition, research objective, research framework, research questions, research material, hypotheses formulation, research strategy and specifications.

## 1.2 Research background

In this subchapter, basic information on the regional policy of the European Union and the Structural Funds outlines general background frame for the research project that concerns the Czech Republic and its difficulty to effectively utilise the Structural Funds in the shortened programming period 2004-2006. The research problem is further elaborated in subchapter 1.3.

The European Union ("EU") has presently 27 member states that can benefit from the EU's regional policy. The EU's regional policy can be defined as a policy that aspires to minimise the economic and social differences between the member states of the EU and between the regions within these states. Thereby, the EU strives for strengthening the cohesion within its territory, which would favourably support economic and social development of the European Community as a whole. The basic idea behind the EU's regional policy is that, "solution of regional problems elsewhere generates spillovers benefits – benefits which spread across member state boundaries" (El-Agraa, 2001: 390).

The instruments of the EU's regional policy to be utilised by the member states of the EU are: the Structural Funds ("SF"), the Cohesion Fund ("CF") and loans of the European Investment Bank ("EIB"). Besides, pre-accession structural instruments are available for the candidate countries.

The purpose of the SF, as the main instrument of the EU's regional policy, is to facilitate and drive catch-up growth of the poorer regions and member states of the EU (Pelkmans, 2006: 338). In the programming period 2000-2006 the SF included: the European Regional Development Fund ("ERDF"), the European Social Fund ("ESF"), guidance section of the European Agricultural Guidance and Guarantee Fund ("EAGGF"), and the Financial Instrument for Fisheries Guidance ("FIFG"). The SF are implemented in the member states through the Operational Programmes ("OPs") that are designed and further implemented on terms agreed between the European Commission ("EC"), national governments, and local and regional authorities (Senior Nello, 2005: 280). The selection of appropriate projects to be financed via the OPs is a sole responsibility of the national and regional authorities of the member states.

## 1.3 Problem definition

The following text introduces a statement of the research problem.

The Czech Republic ("CR") entered the EU together with other nine states on 1<sup>st</sup> May 2004; on this date the CR started utilising the SF. In total € 1 685.14 million (at 2004 prices, the CF excluded, the Community Initiatives included)<sup>3</sup> had been allocated from the SF to the CR for the shortened programming period 2004-2006 (European Commission, 2004), whereas in the new programming period 2007-2013 in total € 17.872 billion (at 2007 prices, the CF excluded) is allocated from the SF to the CR (European Commission, 2007a), which makes it a significantly more important period.

According to the basic n+2 rule that has been applied in the programming period 2000-2006, the financial allocations made for each year of the programming period are required to be spent by the end of the second year following the year when the allocations were made (Official Journal of the

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<sup>3</sup> The Community Initiatives are delimited in subchapter 2.2.7.

€ 1 685.14 million (at 2004 prices) = the SF allocation for the CR for 2004-2006, *the Community Initiatives included* (the Community Initiatives allocation amounts to € 100.79 million, consisting of € 68.69 million INTERREG allocation and € 32.10 million EQUAL allocation).

€ 1 584.35 million (at 2004 prices) = the SF allocation for the CR for 2004-2006, *the Community Initiatives excluded*.

European Communities, 1999b: Article 31). This implies that the CR is supposed to spend the allocations for 2006 by the end of December 2008.

The ultimate statistics that would provide information on how the CR has been successful in the SF utilisation in the shortened programming period 2004-2006 are not available yet. However, the EC publishes on a regular basis up-to-date statistics showing how the individual member states are implementing the SF. It is interesting to compare the CR's utilisation results with the results of other new member states. Nonetheless, when comparing such statistics, it has to be emphasised that direct comparisons are not always feasible since the structure of the SF Programmes (and their payment profiles) are different, e.g. larger member states have a large share of infrastructural projects that usually requires more time to be implemented.

In Graph 1 in Appendix 1, showing data as per 31<sup>st</sup> March 2008<sup>4</sup>, the ten new member states<sup>5</sup> are compared in terms of the amount of the SF (the ERDF, the ESF, the EAGGF, and the FIFG) utilised as a percentage of the total amount of the SF allocated to the individual member states in the shortened programming period 2004-2006. Taking into account the limitations of such a comparison, it can be seen that the CR is on the eighth place within the EU-10 with respect to the SF implementation ability. The CR has managed to utilise 74.60 % of its SF total allocation for 2004-2006, i.e. the CR still has to spend 25.40 % of its SF allocation for 2004-2006 but as mentioned above, it can only be made till 31<sup>st</sup> December 2008.

What might be seen as a warning signal is the fact that if the CR has had a problem to utilise € 1 685.14 million (at 2004 prices) from the SF in the period 2004-2006, it might be much more difficult to utilise € 17.872 billion (at 2007 prices) allocated from the SF for the new period.

In general, if a member state of the EU has a difficulty to utilise the SF, it might be a consequence of either the fact that the member state has received a greater amount of the SF allocations than it is able to absorb reflecting its absorption capacity, or it might be a consequence of the fact that the member state has inner barriers that prevent it from the SF successful utilisation (see Figure 1).

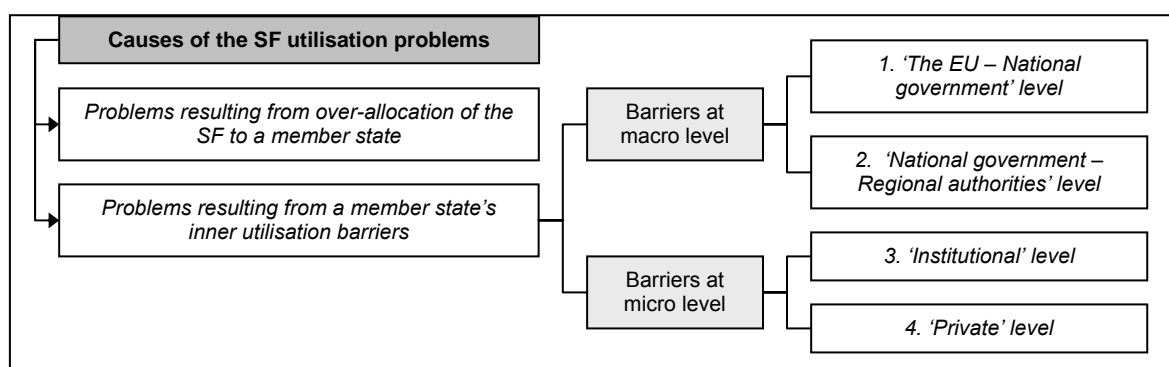


Figure 1: Causes of the SF utilisation problems  
Source: Author's own elaboration

To ascertain whether the CR has received more SF allocations than it is able to absorb, and thus to potentially justify its SF utilisation problems, the absorption model investigating the SF allocations based on two variables can be used. According to the absorption model suggested by Heijman, allocation of the SF means to a member state can be explained by two relevant variables: share of a member state's income in the total EU income, and share of a member state's population in the total EU population<sup>6</sup> (Heijman, 2001: 168, 174). The SF allocations to the EU-10 calculated on the basis of this model can be compared with the real SF allocations to these member states in the shortened programming period 2004-2006<sup>7</sup> (see Table 29 in Appendix 2). As Table 29 in Appendix 2 shows, the SF model allocations for the CR is slightly higher (€ 1712093822 at 2004 prices) than

<sup>4</sup> 31<sup>st</sup> March 2008 represents the most up-to-date statistics at the moment of writing the research proposal.

<sup>5</sup> The EU-10 (new member states): Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, Slovenia. In the throughout thesis, when referring to the (ten) new member states of the EU, these states that entered the EU in 2004 are meant. Bulgaria and Romania, which joined the EU in 2007, are not taken into account. The EU-15: Austria, Belgium, Denmark, Finland, France, Germany, Great Britain, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden.

The EU-25: the EU-10 plus the EU-15. The EU-27: the EU-10 plus the EU-15 plus Bulgaria and Romania.

<sup>6</sup> Since the focus is on the CR's performance in terms of the SF utilisation within the EU-10, the total income and population in the model are meant as the total income and population of the EU-10.

<sup>7</sup> The same model can be used to compare the SF real and model allocations *per year* for the EU-25 (see Table 30 and Graph 3 in Appendix 2).



the SF real allocations (€ 1685140000 at 2004 prices, the Community Initiatives included), which implies that the CR has received less money than it should have according to its absorption capacity suggested by this model. In terms of this model, the CR should have been able to absorb more financial means than it received in fact. Thus, it can be concluded that the CR is indeed underperforming in its effort to utilise the SF since its absorption rate is lower than it should be.

The utilisation model, based on adaptation of the absorption model, can be used to assess whether the EU-10 member states and the CR respectively are lagging behind with the SF utilisation in the period from 1<sup>st</sup> May 2004 till 31<sup>st</sup> March 2008<sup>8</sup>. As Table 31 in Appendix 3 shows, the CR's SF utilisation according to the model in the mentioned period is higher (€ 1321651886 at current prices) than the SF real utilisation (€ 1257114440 at current prices), from which it is confirmed that the CR is indeed underperforming.

It can be concluded that the CR is not facing utilisation problems as a consequence of over-allocation of the SF but as a consequence of inner utilisation barriers.

Figure 1 illustrates that if a member state's inner utilisation barriers are the cause of the SF utilisation problems, these barriers might originate at two levels – macro and micro; each of which is further split into two levels. Thus, there are four potential levels at which inner utilisation barriers might originate.

*Barriers at macro level:* Macro level barriers leading to the SF utilisation problems might occur at 'The EU – National government' level and/or 'National government – Regional authorities' level.

*Barriers at micro level:* Micro level barriers relate to the final beneficiaries ("FBs") that can apply for a support within the OPs, and thus utilise the SF; these are in particular: regional authorities, municipalities, state organisations, non-governmental organisations ("NGOs"), enterprises, and those carrying out business on a self-employed basis (on trade licence certificate). Hence, the utilisation problems can occur at two micro levels – 'Institutional', and/or 'Private' level.

This research project is focused on analysing the inner barriers that have prevented the CR from a more effective SF utilisation in the shortened programming period 2004-2006. This research will seek to identify causes of this situation in terms of determining at which level(s) of the four mentioned levels the inner utilisation barriers originate, and to provide measures for improvement. Attention will be paid to the new programming period 2007-2013 in the sense of identifying whether those barriers that caused a slow utilisation rate have been eliminated or at least minimised.

To conclude this subchapter, it is relevant to mention the significance of this research project. It is important to make sure that the CR is capable of the SF successful utilisation in the new programming period since the amount of money allocated to the new period is gigantic and thus, it is a unique opportunity for the CR to take advantage of the structural funding and to solve the regional social and economic problems.

#### **1.4 Research objective**

The research project in question is a practice-oriented research project; such a research is designed to help solve a practical problem. At this moment, the research project is at the *diagnosis phase* of the intervention cycle, where the aim is to find the inner causes of the CR's SF utilisation problem. Then, the research project will move to the *design phase* of the intervention cycle with the aim to provide various measures that might help solve this practical problem.

*The objective of this research project is to provide measures that might improve the effectiveness of the SF utilisation in the CR by investigating the inner causes of the utilisation problems.*

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<sup>8</sup> Rationale for this period is as following: 1<sup>st</sup> May 2004 is the day when the ten new member states (including the CR) entered the EU, and thus the day when they started utilising the SF; 31<sup>st</sup> March 2008 is the day of the latest statistics (at the moment of writing the research proposal) on the SF utilisation effectiveness of the EU-10.

## 1.5 Research framework

Research framework (see Figure 2) indicates how the research objective will be accomplished.

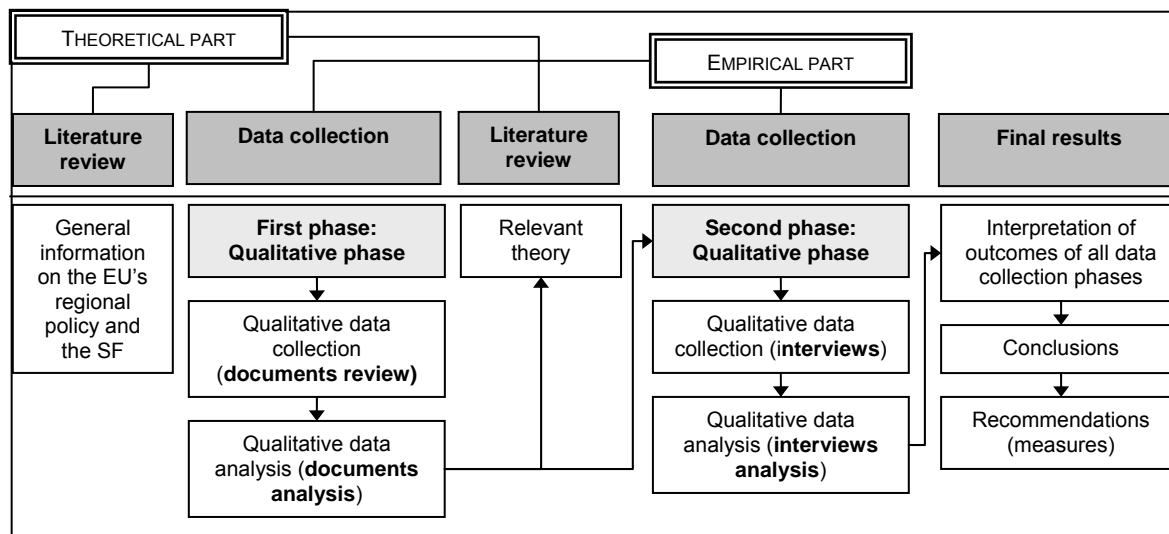


Figure 2: Research framework  
Source: Author's own elaboration

### Literature review

The theoretical part of the project, based on literature review, can be divided into two parts:

1. General information on the EU's regional policy and the SF will be presented.
2. Relevant theory will be provided to outline the theoretical framework of the research project. Considering the fact that at this moment it is not known yet what the inner causes of the CR's utilisation difficulties are, concrete theory will be chosen according to the results of documents analysis, i.e. after the completion of the first data collection.

### Data collection

#### *First data collection phase – Qualitative phase (documents review)*

Published **documents** related to the SF implementation in the CR will be studied with the aim to provide information on: what the EU's regional policy looks like in the CR, what the current situation of the SF utilisation in the CR is, what factors influence the SF successful utilisation, what barriers prevent the CR from the SF successful utilisation, at which level(s) of the four mentioned levels the utilisation barriers originate in the CR, what actions should the CR take to enhance the SF implementation and what of these actions the CR has indeed taken and what actions the CR did not take. The information required might be found in the programming documents, policy papers, reports, publications, journal articles, published analyses and statistics, etc.

#### *Second data collection phase – Qualitative phase (interviews)*

After analysis of qualitative data obtained via documents, the second phase of data collection and analysis will take place. The aim of the second data collection phase is to find out what the FBs, which are experiencing SF utilisation problems, perceive as a difficulty in the SF utilisation and what according to them should be done to enhance the SF implementation in the CR. At this moment, it is not evident what FBs have difficulties with the SF utilisation, i.e. it is not clear at which micro level (*'Institutional'* and/or *'Private'*) the inner utilisation barriers originate; and therefore the decision on what FBs the research should be aimed at will be made after the documents analysis.

More information on the methods of data collection is to be found in chapter 3.

### Final results

After finishing both data collection phases, the results of all the data obtained will be interpreted. This interpretation will lead to conclusions and recommendations in terms of defining what are the inner causes of the CR's utilisation problems and what measures might improve the effectiveness of the SF implementation in the CR.

## 1.6 Research questions

Table 1 determines research questions (“RQs”) for the two phases of the intervention cycle, at which the research is located (i.e. diagnosis and design).

Table 1: Research questions

<b>Central RQ for the diagnosis phase of the intervention cycle</b>	
<b>RQ 1</b>	<b>What are the inner causes of the SF utilisation problems in the CR?</b>
RQ 1a	What is the EU's regional policy and the SF?
RQ 1b	What does the EU's regional policy look like in the CR?
RQ 1c	What is the current situation of the SF utilisation in the CR in comparison with other new EU member states?
RQ 1d	What factors influence the SF successful utilisation?
RQ 1e	What are the barriers that prevent the CR from the SF successful utilisation?
RQ 1f	At which level(s) ('The EU – National government', 'National government – Regional authorities', 'Institutional', 'Private') do the SF utilisation barriers originate in the CR?
<b>Central RQ for the design phase of the intervention cycle</b>	
<b>RQ 2</b>	<b>What are the measures that might tackle the SF utilisation problems in the CR?</b>
RQ 2a	What actions should the CR take in order to improve the SF utilisation?
RQ 2b	What actions (named in RQ 2a) has the CR already taken?
RQ 2c	What actions (named in RQ 2a) did the CR <u>not</u> take?

Source: Author's own elaboration

## 1.7 Research material

Table 2 specifies what research material is needed to answer the RQs, and how and where this material will be acquired. Verschuren and Doorewaard distinguish five data sources: people, the media, reality, documents, literature; and five methods of accessing them: interviewing, observation, measuring instruments, content analysis, search method (Verschuren and Doorewaard, 1999: 126).

Table 2: Research material

<b>Data source</b>		<b>Access</b>
<b>Central RQ 1: What are the inner causes of the SF utilisation problems in the CR?</b>		
RQ 1a: What is the EU's regional policy and the SF?		
Literature	Books about the EU's regional policy, Regulations and Decisions of the European Parliament/the Council, reports on economic and social cohesion	Search method
RQ 1b: What does the EU's regional policy look like in the CR?		
Documents	Programming documents, policy papers, reports, publications, journals, published analyses and statistics, websites	Search method
RQ 1c: What is the current situation of the SF utilisation in the CR in comparison with other new EU member states?		
Documents	Programming documents, policy papers, reports, publications, journals, published analyses and statistics, websites	Search method
RQ 1d: What factors influence the SF successful utilisation?		
Documents	Programming documents, policy papers, reports, publications, journals, published analyses and statistics, websites	Search method
RQ 1e: What are the barriers that prevent the CR from the SF successful utilisation?		
Documents	Programming documents, policy papers, reports, publications, journals, published analyses and statistics, websites	Search method
People (FBs)	To be determined	Interviews
RQ 1f: At which level(s) ('The EU – National government', 'National government – Regional authorities', 'Institutional', 'Private') do the SF utilisation barriers originate in the CR?		
Documents	Programming documents, policy papers, reports, publications, journals, published analyses and statistics, websites	Search method
<b>Central RQ 2: What are the measures that might tackle the SF utilisation problems in the CR?</b>		
RQ 2a: What actions should the CR take in order to improve the SF utilisation?		
Documents	Programming documents, policy papers, reports, publications, journals, published analyses and statistics, websites	Search method
People (FBs)	To be determined	Interviews
RQ 2b: What actions (named in RQ 2a) has the CR already taken?		
Documents	Programming documents, policy papers, reports, publications, journals, published analyses and statistics, websites	Search method
RQ 2c: What actions (named in RQ 2a) did the CR <u>not</u> take?		
Documents	Programming documents, policy papers, reports, publications, journals, published analyses and statistics, websites	Search method

Source: Author's own elaboration

## 1.8 Hypotheses formulation

In Table 3, seven hypotheses of inner causes of the CR's utilisation problems are formulated in order to be tested in the empirical research. In subchapter 4.5 and subchapter 5.4, each of these hypotheses is assessed based on the outcomes of the two data collection phases (documents review and interviews). The final assessment of each of these hypotheses takes place in subchapter 6.4.

Table 3: Hypotheses formulation

<b>Hypotheses related to barriers at macro level</b> (see Figure 1)	
Hypothesis 1	<i>Insufficient communication and cooperation between the Czech government and the regional authorities in the SF Programmes preparation is one of the CR's inner causes of the SF utilisation problems.</i>
Hypothesis 2	<i>Insufficient involvement of relevant parties in the SF Programmes preparation is one of the CR's inner causes of the SF utilisation problems.</i>
<b>Hypotheses related to barriers at micro level</b> (see Figure 1)	
Hypothesis 3	<i>Complexity of administrative procedures is one of the CR's inner causes of the SF utilisation problems.</i>
Hypothesis 4	<i>Co-financing difficulties of the FBs is one of the CR's inner causes of the SF utilisation problems.</i>
Hypothesis 5	<i>Lack of capacities of the FBs to prepare quality projects is one of the CR's inner causes of the SF utilisation problems.</i>
Hypothesis 6	<i>Lack of information of the FBs is one of the CR's inner causes of the SF utilisation problems.</i>
Hypothesis 7	<i>Lack of transparency in projects selection is one of the CR's inner causes of the SF utilisation problems.</i>

Source: Author's own elaboration

## 1.9 Research strategy

Research strategy is perceived as the way the research is done. Taking into consideration the characteristics of this research project and nature of the RQs, the appropriate research strategy is the *sequential strategy*, which is carried out in two sequential phases: the first phase is qualitative data collection and analysis that precedes the second qualitative phase, characteristics of which will be determined at the end of the first phase. Results of both phases are finally put together in the interpretation phase. (Creswell, 2003: 210-216)

The style of this research project is ranked among *flexible designs*, which are understood as styles of doing research where the decisions on how to proceed depend substantially on the results of the early data collection (Robson, 2007: 22).

## 1.10 Research specifications

*Desk research vs. field research:* This research project will deal with both the desk research and field research since the research project will be partially based on existing knowledge and partially based on the information that will be collected for the purpose of this research.

*Quantitative research vs. qualitative research:* Both data collection phases (documents review and interviews) are qualitative in order to understand the phenomenon.

*Applied research (practice oriented research) vs. theory oriented research:* As already stated in the research objective, the research will be of a practice oriented kind as it is designed to generate knowledge in order to contribute to a solution of a practical problem.

## 1.11 Conclusion

This chapter presented the research design of the thesis. The thesis is split into two parts – theoretical and empirical as illustrated in the research framework (see Figure 2). The theoretical part is elaborated next.

## **PART I: THEORETICAL PART**

### **2. Theoretical framework**

#### **2.1 Introduction**

Research framework (see Figure 2) indicates that the theoretical part of this thesis, based on literature review, is split into two parts: subchapter 2.2 presents general information on the EU's regional policy and the SF and subchapter 2.3 provides relevant theory – the partnership principle – to outline the theoretical framework of this research project.

As mentioned in subchapter 1.7 Research material, literature review is to answer:

RQ 1a: *What is the EU's regional policy and the SF?*

#### **2.2 The EU's regional policy**

The following subchapters explain all the aspects related to the EU's regional policy. Considering that the EU's regional policy went through a recent significant reform with the aim to simplify the implementation of this policy in the new programming period 2007-2013, comparison of some facets of the EU's regional policy in the previous programming period 2000-2006 and the current programming period 2007-2013 is provided.

##### **2.2.1 Purpose of the EU's regional policy**

The concept of economic and social cohesion was introduced in the Single European Act (1987), in which Article 130a states that: "In order to promote its overall harmonious development, the Community shall develop and pursue its actions leading to the strengthening of its economic and social cohesion. In particular the Community shall aim at reducing disparities between the various regions and the backwardness of the least-favoured regions." (Official Journal of the European Communities, 1987)

The policy of economic and social cohesion<sup>9</sup> strives to disperse the economic activity to less-favoured regions (Baldwin and Wyplosz, 2006: 247). The EU's regional policy helps reduce differences between economic and social development of individual regions within the EU in terms of reducing disparities in income levels, output growth rates, and employment. The EU's regional policy supports regions' advancement and structural changes leading to desirable economic and social transformations in order to fulfil the aim of convergence<sup>10</sup> of economic performance within and between member states (Senior Nello, 2005). The current form of the EU's regional policy places a great emphasis on competitiveness strengthening.

The EU's regional policy is not only important for the EU aims in terms of removing differences between the various areas but it also contributes to making the EU work more effectively (Roney and Budd, 1998: 105-106). This policy intends, "to improve the competitiveness and hence the long-term growth prospects of the supported regions" (McDonald and Dearden, 1999: 233).

Considering that economic, social and territorial imbalances have increased since the EU enlargement by the ten new member states in 2004, these objectives are significant regarding the future of the EU. As per capita incomes in the Central and Eastern European new member states are at least 25 percent below the EU-25 average (Baldwin and Wyplosz, 2006: 233), significant amounts of EU funding are moving eastwards.

The EU's regional policy is a communitarian policy (i.e. shared, coordinated policy), whose implementation falls under the competences of individual member states and the EU institutions only create unified arching concept and coordinate processes. Initiative and executive competences are concentrated in the hands of the EC and Directorate General for Regional Policy respectively.

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<sup>9</sup> Also called the EU's regional policy, the EU's cohesion policy or the EU's structural policy.

<sup>10</sup> Convergence of economic performance is defined as, "a process of catching up by less favoured regions so that the disparities are narrowed" (Senior Nello, 2005: 272).

El-Agraa indicates the following arguments for the EU's regional policy co-existence along the national regional policies<sup>11</sup>:

- vested interest (to solve regional problems in one member state means spillover benefits for other member states);
- financial targeting (poor member states with the largest regional problems do not have enough public resources to finance effective regional policy<sup>12</sup>);
- coordination (the EU acts as a supra-national coordinating agency to foster advantages of coordinated approach);
- effects of other EU's policies and integration (to moderate negative regional impact of other EU's policies and impact that inevitably accompanies economic integration process);
- further integration (to ensure that the economic integration benefits are equally diluted throughout the EU) (El-Agraa, 2001: 389-393).

## 2.2.2 Development of the EU's regional policy

Development of the EU's regional policy can be split into several stages that are described in the following text.

### *First stage (1957-1973) – individual approach*

The regional policy was not incorporated in the Treaty Establishing the European Economic Community (1957) since the economic differences between the six founding countries<sup>13</sup> had not been substantial (McDonald and Dearden, 1999: 209) and there had been a presumption of convergence of regional disparities via internal market integration. This stage was characterised by individual approach to the regional policy, common and coordinated practices had not been applied. Nonetheless, the foundation stone of the today's EU's regional policy had been laid in this stage as the mentioned Treaty referred to a need to support harmonious development within the Community by diminishing the existing differences between various regions (Official Journal of the European Communities, 2002). Establishment of the EIB in 1958, the ESF in 1960, and the EAGGF in 1962 were important events in this period (Phinnemore and McGowan, 2006: 177, 206, 223).

### *Second stage (1974-1985) – regional dimension strengthening*

Gradual enlargement of the Community by new member states (Great Britain, Ireland, Denmark, subsequently Greece), which deepened the differences in economic and social development not only between the member states but also between individual regions, was an impulse for a turn to a coordinated regional policy. It was necessary to establish an integrated system of the regional policy instruments and financial resources that would contribute to moderating the existing regional disparities. The ERDF, created in 1975 to lower wide differences between areas, meant a real origin of the EU's regional policy (El-Agraa, 2001: 399).

### *Third stage (1986-1992) – Single European Act*

This stage was a true turn towards a communitarian regional policy as a consequence of: the accession of Spain and Portugal with a wide range of declining regions, progress in the single market creation<sup>14</sup>, and attempt to hold economic and social cohesion (McDonald and Dearden, 1999: 222). The Single European Act (1987) included a provision of the integrated regional policy promoting the economic and social cohesion as well as formulation of the regional policy's objective: to support harmonious development, to reduce inequalities between various regions, and to rationalise the Structural Funds (Senior Nello, 2005: 280). Therefore, the Single European Act departs from the assumption that convergence should merely result from market integration.

In 1988 a major reform of the regional policy was realised with the aim to search for more effective ways of implementing the regional policy's objectives. It was decided to integrate the regional policy with a part of the social policy and a part of the agricultural policy into a so-called structural policy. The above mentioned EU funding instruments (the ERDF, the ESF, and the EAGGF) were renamed the SF. (El-Agraa, 2004: 411-412)

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<sup>11</sup> El-Agraa justification for the EU's regional policy is based on belief that market forces have a limited ability to solve the long-term regional problems (El-Agraa, 2004: 401).

<sup>12</sup> After the enlargement by the ten new member states in 2004, the number of member states of this kind has significantly expanded (El-Agraa, 2004: 403).

<sup>13</sup> Belgium, France, Germany, Italy, Luxembourg, the Netherlands.

<sup>14</sup> There were fears that a progress in the single market establishment will worsen the economic and social differences in the EU (Roney and Budd, 1998: 101).

#### *Fourth stage (the 1990's) – Treaty on European Union*

The Treaty on European Union (1992), included for the first time a separate Protocol on economic and social cohesion where it was reaffirmed that, “the promotion of economic and social cohesion is vital to the full development and enduring success of the Community”, and that, “the Structural Funds should continue to play a considerable part in the achievement of Community objectives in the field of cohesion” (Official Journal of the European Communities, 1992). In 1992 the FIG was established followed by the CF establishment in 1993 (Phinnemore and McGowan, 2006: 57, 239).

#### *Fifth stage (programming period 2000-2006) – Agenda 2000*

The aim of Agenda 2000, approved by the EC in 1999, was to equip the EU with more effective policies in order to ensure that the EU would successfully realise the enlargement by the ten countries of the Central and Eastern Europe (European Commission, 1999a: 1). One of the main parts of Agenda 2000 was a reform of the regional policy for the programming period 2000-2006 with the intention to enhance concentration of the financial aid provided by the SF, to reinforce the SF effectiveness by improved monitoring and evaluation of their utilisation, and to simplify administrative procedures of the SF including increased decentralization. (Senior Nello, 2005: 282)

#### *Sixth stage (programming period 2007-2013) – significant reform*

In 2005 the EC suggested a reform of the EU's regional policy for the programming period 2007-2013 in order to simplify the EU's regional policy, to impose coherence, and to enhance the efficiency of the whole policy (Baldwin and Wyplosz, 2006: 243). Reduction in both the focuses of activities that the EU's regional policy is to pursue and the financial instruments to be used to fulfil these activities are the consequences of this reform (see Table 6).

### **2.2.3 Principles of the EU's regional policy**

The EU's regional policy and the SF utilisation are based on these fundamental principles:

The *programming principle* emphasises a complex approach to the solution of problematic regions on the basis of multi-annual Programmes proposed to the EC by the government of a member state. The SF means are then allocated to these approved Programmes that are further implemented via concrete projects. (McDonald and Dearden, 1999: 226-227)

The *additionality principle* states that, “contributions from the structural funds shall not replace public or equivalent structural expenditure by a member state” (Official Journal of the European Communities, 2006a: Article 15). It means that both the EU's budget and national public and private resources participate in each Measure realised via the SF.

The *subsidiary principle* suggests that, “decisions should be made as close to the people as possible”, so that, “the EU should not take actions unless doing so is more effective than action taken at national, regional or local level” (Baldwin and Wyplosz, 2006: 77). In terms of the EU's regional policy this principle implies that relevant national and regional authorities choose themselves the projects to be financed and subsequently control their implementation.

The *partnership principle* is based on a close cooperation between the EC and the authorities at the national, regional, and local level. This principle requires, “horizontal cooperation between organisations at the regional and local levels, and the development of vertical aspects of multi-level governance” (Senior Nello, 2005: 280).

The point of the *concentration principle* is an attempt to use the SF means only for realisation of the objectives set up beforehand in the most efficient way. It is an effort to direct the most financial means to the most disadvantaged regions with the greatest problems (El-Agraa, 2004: 414), namely to the projects bringing maximum utility.

Besides these fundamental principles, one more principle related to the OPs implementation can be identified:

The *monitoring and evaluating principle* requires continuous monitoring of the OPs and projects. The principle includes a preliminary (ex-ante) impact evaluation, medium-term implementation evaluation and consequential (ex-post) evaluation of the project/Programme contribution. (European Commission, 2000: 29)

#### 2.2.4 Effectiveness of the EU's regional policy

The EU's regional policy is designed to reduce disparities between various member states and their regions, and thus to contribute to a process of convergence within the EU. This subchapter is to discuss whether the EU's regional policy and the SF respectively have indeed contributed to convergence between and within different member states.

Assessment of effectiveness of the EU's regional policy is complicated by three facts: first, impacts of the structural operations can only be seen in the long run; second, assessment cannot easily distinguish impacts resulting from the EU's regional policy and from the individual member states' regional policies; third, the EU's regional policy is not isolated from other EU initiatives, such as the common agricultural policy, which also have a significant impact (Senior Nello, 2005: 287).

Furthermore, not only the EU's regional policy but also economic integration within the single European market might contribute to convergence in the EU. Even here, existing theories are not consistent in assessing whether the European economic integration has been reducing disparities, i.e. has been leading to convergence (neo-classical growth theory, trade theory, labour and capital mobility) or increasing them, i.e. leading to divergence (endogenous growth theory, new economic geography theory, technology diffusion) since the related economic processes are complex and have a long-term character (Senior Nello, 2005: 272-276; Pelkmans, 2006: 339). The matter of the fact is that if the convergence theories would be correct, there would not be need for the EU's regional policy. Furthermore, there is little evidence that lagging regions will benefit more from economic integration than the prosperous core regions (McDonald and Dearden, 1999: 216).

To summarize, the EU's regional policy cannot be seen as the only and sole instrument for tackling the internal disparities in the EU.

##### *Convergence or divergence?*

The literature on the question whether the EU's regional policy is effective is controversial. Various studies provide mixed conclusions: some studies suggest positive, other insignificant or even negative effect of the support provided via this EU's policy on growth.

The EC in its Fourth report on economic and social cohesion claims that convergence is occurring both at national and regional level in the EU in terms of growth rates measured in gross domestic product ("GDP") per capita. At the national level, member states with a very low GDP per capita are catching up faster. At the regional level, regions with GDP per capita under 50 percent of the EU-27 average are catching faster while some of the regions with high income levels are encountering problems. Divergence within the member states is a consequence of the capital cities' growth. The EC supposes that convergence trends are to continue; however, disparities still remain, and thus continuing effort is desired. (European Commission, 2007b: 3-14)

Several studies indicate that convergence has occurred between the EU countries. On the other side, weaker regions seem to undergo divergence in terms of a slower growth pace as a result of agglomeration of manufacturing in some regions hurting periphery regions. Disparities between rich and poor regions have widened across the EU. (Pelkmans, 2006: 339-346)

Baldwin and Wyplosz have come to the same conclusions: while there is convergence between the EU member states, divergence in terms of income disparities across regions has emerged (Baldwin and Wyplosz, 2006: 234).

Senior Nello concludes that income and employment disparities within the EU have decreased in the last decade (Senior Nello, 2005: 285).

Particular success is seen in the four (former) cohesion countries: Ireland, Greece, Spain, and Portugal where GDP per capita, employment rates, and labour productivity have been increasing since their accession to the EU. So far, their membership in the EU seems to be beneficial for them in terms of catching up the EU average standard of living, even though Greece is still significantly lagging behind. (Somers *et al*, 1995: 265)

Ederveen in his study reveals empirical evidence that poorer regions and poorer member states of the EU have shown a tendency to catch up with the richer ones in the past decades leading to convergence not only at the member states level but also between regions. As he points out, the question is to what extent this is the outcome of the EU's regional policy. (Ederveen *et al*, 2002)



An interesting remark is presented by El-Agraa, who points out to the fact that the EU's regional policy is seriously underfunded for its objectives of reducing all the regional disparities within the EU. This aspect is becoming considerably important after the accession of the ten new member states in 2004. According to El-Agraa, the regional disparities within the EU-15 remain persistent and have been narrowing in the 1990's only at a slow pace, which supports his argument that the EU's regional policy is underfunded. (El-Agraa, 2004: 420)

#### *SF effectiveness*

The SF effectiveness is seen differently by different authors; however there seems to be a consensus that investment in "overcoming skill shortages and human capital support is very effective" (Pelkmans, 2006: 355). Of course, the SF can only be effective if these are tackling the true development problems of regions. The SF compensate lack of underlying growth and must manage to generate a higher growth.

Ederveen proposes some explanations why the SF are less effective in reaching their convergence objective than they should be: first, most of the cohesion aid is received by relatively rich regions; second, cohesion aid can crowd out national regional policy support; third, cohesion aid is used for low-productive products; fourth, cohesion support can crowd out alternative convergence mechanism (labour mobility, private investments, etc.) (Ederveen *et al*, 2002: 81-82).

The enlargement of the EU by the ten new member states in 2004 represents a substantial challenge for the EU's regional policy since this enlargement means a significant extension of regional disparities that the EU has not faced any time before. Considering that majority of regions, whose development is lagging behind, lie in the ten new member states, the EU's regional policy has inevitably moved eastwards. In the long-run, probably in some decades, it will be evident whether the EU's regional policy managed to reduce these considerable regional differences.

### **2.2.5 Eligible regions of the EU's regional policy**

Common classification of territorial units for statistics, so-called NUTS, has been established in order to, "enable the collection, compilation and dissemination of harmonised regional statistics in the Community" (Official Journal of the European Communities, 2003: Article 1). This spatial classification is designed not only for the purpose of regional statistics of the EU member states but also for the purpose of the EU's regional policy.

The NUTS classification subdivides each member state (NUTS 0) into three hierarchical territorial units (see Table 4): NUTS I territorial units, each of which is subdivided into NUTS II territorial units, each of which is subdivided into NUTS III territorial units (Official Journal of the European Communities, 2003: Article 2). NUTS II and NUTS III regions are determinants for utilisation of the SF aid.

Table 4: Definition of the territorial statistical units NUTS

Level	Minimum population	Maximum population
<b>NUTS I</b>	3 000 000	7 000 000
<b>NUTS II</b>	800 000	3 000 000
<b>NUTS III</b>	150 000	800 000

Source: Adopted from Official Journal of the European Communities, 2003

### **2.2.6 Objectives of the EU's regional policy**

Strengthening the economic and social cohesion of the EU is the basic objective of the EU's regional policy. The EC further determines strategic Objectives for each programming period. Those Objectives generally define of what way, by what means, and to what regions the financial support is to be realised. In the subsequent text, strategic Objectives of the programming period 2000-2006 and 2007-2013 are compared.

#### **Programming period 2000-2006**

Three strategic Objectives have been determined for the programming period 2000-2006: Objective 1 and 2 have a regional character while Objective 3 is horizontal<sup>15</sup>.

<sup>15</sup> Horizontality of Objective 3 means that it can be applied throughout the EU without prejudice to the specific features of each region (Official Journal of the European Communities, 1999b: Article 1).

*Objective 1: promoting the development and structural adjustment of regions whose development is lagging behind.*

This Objective is focused on development aid for less developed EU regions at the level of NUTS II, whose GDP per capita is less than 75 percent of the EU average, with the aim to help them reach the level of other regions (European Commission, 2000: 10).

The main priority areas are: basic infrastructure, human resource development, research and innovation investments, information society (Regional Policy Info regio website, 2008a).

*Objective 2: supporting the economic and social conversion of areas facing structural difficulties.*

Objective 2 is aimed at regions afflicted by socio-economic restructuring that do not benefit under Objective 1; the areas should correspond with the territorial units NUTS III (Official Journal of the European Communities, 1999b: Article 4).

Criteria for placing the region under Objective 2: industrial areas with a high rate of unemployment exceeding the EU average, areas with a high rate of jobs in the industrial sector and areas with declining industrial employment; declining rural areas that have low population density, high unemployment or are negatively affected by gradual depopulation; urban areas that face difficulties as a result of loss of economic activities, have a high long-term unemployment rate or a high poverty rate; fisheries areas that go through depression (European Commission, 2000: 12).

*Objective 3: supporting the adaptation and modernisation of policies and systems of education, training and employment.*

Means of Objective 3 are oriented at human resource development in regions not falling under Objective 1 (El-Agraa, 2004: 412).

Objective 3 supports human resources development in the following areas: active policy in the area of labour market leading to unemployment decline, support of the access to the labour market open to anybody, enhancement of labour opportunities via education programmes, support of equal opportunities (European Commission, 2000: 14).

### **Programming period 2007-2013**

The renewed cohesion policy aims at promoting growth-enhancing conditions for the EU economy and focuses on three new Objectives determined by the EC.

#### *Convergence Objective*

This Objective is to promote the least developed regions throughout the EU territory. The regions eligible for funding from the SF under this Objective are NUTS II regions, whose GDP per capita is less than 75 percent of the EU-25 average<sup>16</sup>. (Official Journal of the European Communities, 2006a: Article 5)

The member states eligible for funding from the CF, supporting environmental and transport projects, are the least prosperous ones, i.e. those whose gross national income per capita is less than 90 percent of the EU-25 average<sup>17</sup> (European Commission, 2007a: 13).

Convergence Objective is aimed at: modernisation of economic structure of member states and regions, improvement of basic infrastructure, investments in human capital, innovation and knowledge society, environment improvement and protection (Official Journal of the European Communities, 2006a: Article 3).

#### *Regional Competitiveness and Employment Objective*

This Objective is intended to strengthen regions' competitiveness and employment. Eligible regions are those regions NUTS I and NUTS II not falling under Convergence Objective, i.e. having GDP per capita more than 75 percent of the EU-25 average<sup>18</sup> (European Commission, 2007a: 18).

The Objective is to cover regional Programmes promoting economic changes in industrial, urban, and rural areas, also innovation, knowledge society, and environment protection (Official Journal of the European Communities, 2006a: Article 3).

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<sup>16</sup> NUTS 2 regions suffering from statistical effect related to the reduction in the EU average GDP per capita as a result of the EU enlargement in 2004, i.e. regions of the EU-15 that have GDP per capita higher than 75 percent of the EU-25 average but lower than 75 percent of the EU-15 average, are eligible for transitional support (Phasing-out).

<sup>17</sup> In the period 2007-2013, Bulgaria, Czech Republic, Estonia, Greece, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Portugal, Romania, Slovenia, and Slovakia are eligible. Transitional support is provided for Spain.

<sup>18</sup> NUTS II regions that were eligible for Objective 1 but whose GDP per capita is higher than 75 percent of the EU-15 average are eligible for transitional support under Regional Competitiveness and Employment Objective (Phasing-in).

### *European Territorial Cooperation Objective*

This Objective is to contribute to further integration of the EU by territorial cooperation and experience exchange at the cross-border, trans-national, and inter-regional levels with a focus on science, research, information society, and environment protection. The regions eligible for cross-border cooperation shall be NUTS level III regions. For trans-national cooperation, the EC has identified 13 cooperation zones. All regions of the EU are eligible for inter-regional cooperation. (European Commission, 2007a: 20)

## **2.2.7 Financial instruments of the EU's regional policy**

The Objectives of the EU's regional policy are implemented via the SF, the CF, and loans of the EIB. The Community Initiatives are related instruments. Furthermore, pre-accession instruments are available for candidate countries that are preparing for accession to the EU. The following text provides basic information on these financial instruments with a special attention paid to the SF.

### **Programming period 2000-2006**

#### ***Pre-accession instruments***

The pre-accession instruments are directed to the candidate countries that can utilise them till the moment of their accession to the EU. These instruments support necessary economic, political and administrative reforms in the candidate countries, contribute to the EU legislation implementation, and assist at reducing differences between the economic level of these countries and the EU. The pre-accession funds are utilised on the basis of project approach – the EC approves the selection of individual projects and bears a sole responsibility for the financial means utilisation.

#### *Poland and Hungary: Assistance for Restructuring of the Economy (“PHARE”)*

The PHARE has been initially designed for Poland and Hungary; however, gradually other countries of the former eastern block have also been eligible to utilise this instrument. The aim of the PHARE is to bridge the economic differences between these countries and the EU and to prepare these countries for their own accession to the EU and utilisation of the SF in particular. (Bainbridge, 1998: 394) After accession to the EU, similar activities are to be financed via the ERDF and the ESF.

#### *Special Accession Programme for Agriculture and Rural Development (“SAPARD”)*

The purpose of the SAPARD is to prepare the candidate countries for the aid from the EAGGF. The SAPARD supports projects focused on sustainable development of agriculture and countryside as well as implementation of the EU regulations concerning the common agricultural policy. (Regional Policy Info regio website, 2008b)

#### *Instrument for Structural Policies for Pre-Accession (“ISPA”)*

The mission of the ISPA is to help the candidate countries to fulfil the EU standards considering the environment protection and to develop quality transport infrastructure (Phinnemore and McGowan, 2006: 276-277). After accession to the EU, similar activities are to be financed via the CF.

#### ***The Structural Funds***

The SF are the basic instruments of the EU's regional policy contributing to strengthening the economic and social cohesion of the EU by reducing development disparities between its regions. The purpose of the SF is to facilitate and drive catch-up growth of the poorer regions and member states of the EU (Pelkmans, 2006: 338). Programming approach is applied for the SF utilisation (see subchapter 2.2.8), i.e. the SF do not co-finance particular projects but multi-annual development Programmes that are jointly worked out by regions, member states, and the EC.

#### *The European Regional Development Fund*

The basic mission of the ERDF is to promote economic and social cohesion by removing regional disparities and participating in development of disadvantaged regions (Senior Nello, 2005: 277). The ERDF is focused on financing the following activities: investments generating or preserving jobs, development of the local potential (investments in development of the small and medium enterprises in problematic regions), investments in infrastructure contributing to development of the

trans-European networks<sup>19</sup>, support of research and technological development, development of information society, investments in tourism and culture, environment protection and improvement, equal opportunities (Official Journal of the European Communities, 1999d: Articles 1-2).

#### ***The European Social Fund***

The purpose of the ESF is to support actions in areas of employment opportunities and human resource development (Roney and Budd, 1998: 102).

Aid from the ESF is oriented at the following areas: development of active policies in labour market to tackle long-term unemployment, support of integration of long-term unemployed and young people into the labour market, promotion of equal working opportunities in the labour market, support of job creation for disadvantaged groups, development of education/post-gradual/(re)training/counselling programmes for enhancement of competitiveness in the labour market and mobility of labour power, reinforcement of human potential in research/science/technology (Official Journal of the European Communities, 1999e: Articles 1-3).

#### ***The Financial Instrument for Fisheries Guidance***

This instrument is aimed at support and modernisation of fishery industry (Senior Nello, 2005: 278). The main tasks of the FIFG are: protection of some marine areas, modernisation of the EU's fleet and equipment of fishing ports, development of fish husbandry, support of production and trade in fish products, improvement of processing and marketing of fish products (Official Journal of the European Communities, 1999c: Articles 1-2).

#### ***The European Agricultural Guidance and Guarantee Fund***

This fund is divided into two sections: guidance and guarantee. The guarantee section, which dominates the expenditures of the EAGGF, serves for financing the EU's common agricultural policy; the guidance section is a component of the SF (Phinnemore and McGowan, 2006: 177-178). The EAGGF as a whole is focused on: investments in establishment and development of the agricultural holdings in order to increase productivity and quality of agricultural products, support of farming and initial support for beginning farmers, promotion of agricultural activities in less favourable areas, development and support of forests, development of rural infrastructure, investments in agro tourism, rural (cultural) heritage protection, environment protection (Official Journal of the European Communities, 1999a: Articles 2-34).

#### ***The Cohesion Fund***

The CF was established to provide aid for the least developed member states in connection with preparation for the economic and monetary union. Although the general aim of the CF is also to support economic and social cohesion of the EU, the CF does not rank among the SF. (McDonald and Dearden, 1999: 223) In contrast to the SF that are aimed at regions, the CF is designed to support development of the poorer member states<sup>20</sup> whose gross national product per capita is lower than 90 percent of the Community average (Official Journal of the European Communities, 1994: Article 2). Unlike the SF, the CF does not provide co-financing for Programmes but it is directly participating in financing particular projects; the CF conduces to significant projects in the area of environment and sustainable development as well as to large projects focused on development of the trans-European networks (Bainbridge, 1998: 48-49).

#### ***The European Investment Bank***

The EIB is a financial institution of the Community, whose task is, "to contribute, by having recourse to the capital market and utilising its own resources, to the balanced and steady development of the common market in the interest of the Community" (Official Journal of the European Communities, 2002: Article 267). The EIB, by providing unprofitable loans and guarantees, facilitates financing projects in the most disadvantaged areas realised by either public authorities or private firms (Senior Nello, 2005: 278).

#### ***Community Initiatives***

In the programming period 2000-2006 aid is also granted by four Community Initiatives, by which the EC attempts, "to encourage cooperation between different member states on matters of common interest" (Senior Nello, 2005: 280). These initiatives are managed by the EC.

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<sup>19</sup> The aim of the trans-European networks is to improve transport infrastructure, telecommunication infrastructure, and energetic infrastructure.

<sup>20</sup> At the time of creation of the CF, four member states have been eligible: Greece, Ireland, Portugal, and Spain.

*INTERREG III* – assists cross-border, trans-national and inter-regional cooperation in the EU in order to support harmonious, balanced and sustainable development of the Community as a whole.  
*URBAN II* – promotes recovery of towns/cities and their neighbourhoods in crisis.  
*EQUAL* – trans-national cooperation aiming at equality in the labour market.  
*LEADER+* – focuses on development of rural areas. (El-Agraa, 2004: 414)

Table 5 summarises what the individual SF finance in the programming period 2000-2006.

Table 5: Relations between the SF, Objectives, and Community Initiatives<sup>21</sup>

	Objective 1	Objective 2	Objective 3	INTERREG III	URBAN II	EQUAL	LEADER +
<b>ERDF</b>	X	X		X	X		
<b>ESF</b>	X	X	X			X	
<b>EAGGF-Guidance</b>	X						X
<b>FIFG</b>	X						

Source: Adopted from European Commission, 2000

### Programming period 2007-2013

#### *Pre-accession instruments*

In the programming period 2007-2013 *Instrument for Pre-Accession Assistance* (“IPA”) is the only pre-accession instrument. Aid provided via the IPA for the candidate countries<sup>22</sup> is focused on transition assistance and institutional capacity building, cross-border cooperation, regional development, human resources development, and rural development. Potential candidate countries<sup>23</sup> are eligible only for transition assistance and institutional capacity building, and cross-border cooperation (European Commission, 2007a: 136).

#### *The Structural Funds and the Cohesion Fund*

Table 6 illustrates simplification of the EU’s regional policy in terms of reduction of both focuses of this policy and financial instruments in the programming period 2007-2013. In the new programming period 2007-2013, the SF consist of only ERDF and ESF, since the issues of rural development and fisheries are not a part of the cohesion policy any more but are integrated into the instruments<sup>24</sup> of the common agricultural policy and the common fisheries policy instead. Also, the number of focuses of the EU’s regional policy has decreased since there are no Community Initiatives applied and the CF does not stand alone any more but it contributes to fulfilment of the Convergence Objective.

Table 6: Comparison of the EU’s regional policy in the period 2000-2006 and 2007-2013

Programming period 2000-2006		Programming period 2007-2013	
Objectives	Financial Instruments	Objectives	Financial Instruments
<i>Objective 1</i>	ERDF ESF EAGGF-Guidance FIFG	<i>Convergence</i>	ERDF ESF CF
<i>CF</i>	CF		
<i>Objective 2</i>	ERDF ESF	<i>Regional Competitiveness and Employment</i>	ERDF ESF
<i>Objective 3</i>	ESF		
<i>INTERREG III</i>	ERDF	<i>European Territorial Cooperation</i>	ERDF
<i>URBAN II</i>	ERDF		
<i>EQUAL</i>	ESF		
<i>LEADER+</i>	EAGGF-Guidance		
Rural development and restructuring of the fishing sector beyond Objective 1	EAGGF-Guarantee FIFG		
<b>3 Objectives, 4 Community Initiatives, CF</b>	<b>5 Instruments</b>	<b>3 Objectives</b>	<b>3 Instruments</b>

Source: European Commission, 2007a

<sup>21</sup> Rural development and restructuring of the fishing sector beyond Objective 1 is financed by EAGGF-Guarantee and FIFG.

<sup>22</sup> The former Yugoslav Republic of Macedonia, Croatia, and Turkey.

<sup>23</sup> Albania, Bosnia and Herzegovina, Montenegro and Serbia, including Kosovo.

<sup>24</sup> The European Agricultural Fund for Rural Development and the European Fisheries Fund.

## 2.2.8 Programming process of the EU's regional policy

The programming in the EU is based on the principle of multi-annual development Programmes elaboration. The SF means do not co-finance concrete projects but contribute to co-financing development Programmes. Programming period of the EU's regional policy consists of seven years. The SF are implemented in the member states via the multi-annual OPs that are drawn up on terms agreed between the EC, national governments, and regional authorities (Senior Nello, 2005: 280). Selection and implementation of appropriate projects to be financed via the OPs is a sole responsibility of the national and regional authorities of the member states.

### Programming period 2000-2006

For Objective 1 the member states have to pass a multi-level programming system including the National Development Plan, Community Support Framework, and OPs (Official Journal of the European Communities, 1999b: Article 15).

#### *National Development Plan ("NDP")*

At first, each member state has to submit the NDP to the EC, which represents a basic strategic document for obtaining financial aid from the SF and the CF. This document, based on the development priorities of the state and its regions, has to be in accordance with the EU legislation.

The NDP contains the following specifications:

- analysis of the country's current situation with respect to the strategic Objectives (description of actual state in the country and regions, evaluation of the strengths, weaknesses, and potential);
- development strategy and Priorities, quantifiable objectives for each Priority; outline of the OPs;
- preliminary (ex-ante) evaluation of expected socio-economic impact of operations;
- comprehensive financial plan (specification of the EU financial resources and national public and private resources for each Priority and year) (Official Journal of the European Communities, 1999b: Article 16).

#### *Community Support Framework ("CSF")*

The CSF, which has a treaty character between the EC and the member state receiving aid, is approved by the EC after an arrangement with the member state on the basis of the proposed NDP and indicated list of the OPs to be implemented. This document, ensuring the coordination of the whole EU aid within Objective 1, is split according to Priorities and realised via the OPs.

Each CSF includes:

- strategy and Priorities (objectives quantification and evaluation of expected impact);
- nature of the OPs;
- financial plan (financial allocation from the SF and national public and private resources for each Priority and year);
- preliminary additionality<sup>25</sup> verification approved by the EC and the member state;
- implementation provisions (Managing Authorities, Monitoring Committees, etc.) (Official Journal of the European Communities, 1999b: Article 17).

#### *Operational Programmes*

Operational Programme ("OP") is, "the document approved by the Commission to implement a Community support framework and comprising a consistent set of Priorities comprising multi-annual measures" (European Commission, 1999b: 23).

The OPs are worked out in the form of request for aid and the EC on their basis adopts a decision on aid provision. After approval of the OPs, the implementation of individual Measures within the OPs, which are realised via concrete projects, can start. The member state has to select appropriate projects that are to fulfil the objectives set in the OPs.

The structure of each OP (see Figure 3) is as following:

- Programme Priorities (accordance with the CSF,
- targets quantifications, expected impact evaluation;
- description of Measures for Priorities implementation;
- financial plan (allocation from the SF and public/private resources for each Priority and year);
- implementation provisions (Managing Authorities, monitoring and evaluation systems, control of financial flows, etc.) (Official Journal of the European Communities, 1999b: Article 18).

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<sup>25</sup> Additionality principle requires an agreement between the EC and the member state on the total amount of public expenditures that the member state has to keep in the given programming period.

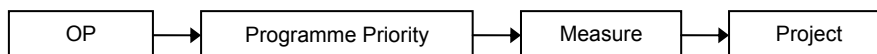


Figure 3: Relationship between the OP and Projects in the programming period 2000-2006<sup>26</sup>  
 Source: Adopted from Official Journal of the European Communities, 1999b

The realisation of the OP's Measures is conducted according to conditions and procedures set in the *Programme Complement*, which specifies for each Measure:

- main targets of the Measure and ex-ante impact evaluation;
- determination of final beneficiary;
- criteria for project selection;
- nature of the aid provided with specification of the minimum and maximum aid;
- financial plan for financing eligible expenditures defining the contribution from the SF and from public and private resources (Official Journal of the European Communities, 1999b: Article 18).

#### Single Programming Document ("SPD")

In member states where just a few regions fall under Objective 1 (allocation is lower than, or does not substantially exceed, € 1000 million) and for support within Objective 2 and Objective 3 simplified programming system comprising of the SPD is chosen (Official Journal of the European Communities, 1999b: Article 15). The SPD is, "a single document approved by the Commission and containing the same information to be found in a Community support framework and operational programme" (European Commission, 1999b: 29).

Each SPD, which is supplemented with a *Programme Complement*, involves:

- analysis of the country's current situation with respect to the strategic Objectives;
- development strategy and Priorities, quantifiable objectives for each Priority;
- description of Measures for accomplishing these objectives;
- preliminary (ex-ante) evaluation of expected socio-economic impact of operations;
- financial plan (allocation from the SF and public/private resources for each Priority and year);
- preliminary additionality verification approved by the EC and the member state;
- implementation provisions (Managing Authorities, Monitoring Committees, monitoring and evaluation systems, control of financial flows, etc.) (Official Journal of the European Communities, 1999b: Article 19).

#### Programming period 2007-2013

As Table 7 indicates, there are some differences in programming process in the period 2000-2006 and in the new programming period 2007-2013 reflecting the reform of the implementation system.

Table 7: Comparison of the programming process in the period 2000-2006 and 2007-2013

Programming period 2000-2006		Programming period 2007-2013	
↓	-----	Community Strategic Guidelines (on Cohesion)	
	National Development Plan	National Development Plan	
	Community Support Framework	National Strategic Reference Framework	-----
	Operational Programmes	Operational Programmes	

Source: Adopted from European Commission, 2007a

#### Community Strategic Guidelines (on Cohesion) ("CSG")

Existence of the CSG in the current programming period is the first difference when comparing with the previous programming period. The CSG, as a supreme strategic document for a more efficient cohesion policy implementation, defines the main principles and priorities of the cohesion policy for the period 2007-2013.

Programmes co-financed via the cohesion policy should be focused on these priorities:

- "improving the attractiveness of member states, regions and cities by improving accessibility, ensuring adequate quality and level of services, and preserving the environment;

<sup>26</sup> Exact definitions: Programme Priority is, "one of the priorities of the strategy adopted in a Community Support Framework or assistance; to it is assigned a contribution from the Funds and other financial instruments and the relevant financial resources of the Member State and a set of specified targets"; Measure is, "means by which a priority is implemented over several years which enable operations to be financed"; operation is, "any project or action carried out by the final beneficiaries of assistance" (Official Journal of the European Communities, 1999b: Article 9).

- encouraging innovation, entrepreneurship and the growth of the knowledge economy by research and innovation capacities, including new information and communication technologies;
- creating more and better jobs by attracting more people into employment entrepreneurial activity, improving adaptability of workers and enterprises and increasing investment in human capital” (Official Journal of the European Communities, 2006b: Annex).

#### *National Strategic Reference Framework (“NSRF”)*

The NSRF is a document representing an accordance of the NDP and the CSG. This document, validated by the EC, delimits the shape of the EU’s regional policy implementation in the member state. The NSRF has replaced the CSF and the SPD of the previous programming period. Unlike the CSF, which has provided aid coordination just within Objective 1, the NSRF applies to the Convergence Objective, Regional Competitiveness and Employment Objective, and, if the member state decides, European Territorial Cooperation Objective. (European Commission, 2007a: 28)

The NSRF should include:

- analysis of the country’s current situation with respect to the strategic Objectives;
- strategy and Priorities (objectives quantification and evaluation of expected impact);
- nature of the OPs;
- financial plan (financial allocation from the SF and national public and private resources for each Priority and year) (Official Journal of the European Communities, 2006a: Article 27).

#### *Operational Programmes*

The structure of each OP (see Figure 4) is in the programming period 2007-2013 as following:

- Priority Axes (accordance with the CSG and the NSRF, targets quantifications, expected impact evaluation);
- description of areas of intervention for Priority Axes implementation;
- financial plan (assumed financial allocation of the SF and national public and private resources for each Priority Axis and year);
- implementation provisions (Managing Authorities, monitoring and evaluation systems, control of financial flows, etc.) (Official Journal of the European Communities, 2006a: Article 37).

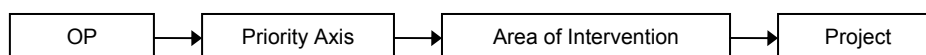


Figure 4: Relationship between the OP and Projects in the programming period 2007-2013

Source: Adopted from Official Journal of the European Communities, 2006a

### **2.2.9 Budget of the EU’s regional policy**

The EU’s regional policy is characterised by multi-annual (seven-year) cycles that are in accordance with the budget period of the EU.

#### **Programming period 2000-2006**

The total EU’s budget for the 2000-2006 programming period has been fixed to € 687.524 billion (at 1999 prices). As Table 8 shows, € 235.134 billion (at 1999 prices), has been devoted to the EU’s regional policy, which represents more than one third of the total EU’s budget. Extra € 21.84 billion (at 1999 prices) have been intended for pre-accession aid. (European Commission, 2004)

Table 8: The EU’s regional policy budget 2000-2006 (billion EUR, at 1999 prices)

	Objective 1	Objective 2	Objective 3	INTERREG III	URBAN II	EQUAL	Leader +	Cohesion Fund	Total 2000-2006
EU-15 (2000-2006)	137.800	23.146	24.050	4.875	0.700	2.850	2.020	18.000	213.441
EU-10 (2004-2006)	13.230	0.123	0.110	0.420	0.000	0.220	0.000	7.590	21.693
<b>EU-25</b>	<b>151.030</b>	<b>23.269</b>	<b>24.160</b>	<b>5.295</b>	<b>0.700</b>	<b>3.070</b>	<b>2.020</b>	<b>25.590</b>	<b>235.134</b>

Source: European Commission, 2004



According to the basic n+2 rule that has been applied in the period 2000-2006<sup>27</sup>, the financial allocations made for each year of the programming period are required to be spent by the end of the second year following the year when the allocations were made (Official Journal of the European Communities, 1999b: Article 31).

Total annual allocation from the SF and the CF to the member state should not exceed 4 percent of GDP of the member state (Official Journal of the European Communities, 1999b: Article 7). This is to prevent from serious problems with absorption.

### Programming period 2007-2013

The maximum total expenditure for the EU-27 for the financial perspective 2007-2013 is € 974.769 billion (at 2007 prices). Table 9 illustrates that € 347.410 billion (at 2007 prices) is intended for the renewed cohesion policy and its instruments, which is more than one third of the whole EU's budget. For the IPA € 11.468 billion (at 2006 prices) is allocated. (European Commission, 2007a)

Table 9: The EU's regional policy budget 2007-2013 (billion EUR, at current prices)

Convergence			Regional Competitiveness and Employment		European Territorial Cooperation	Total 2007-2013
Cohesion Fund	Convergence	Phasing-out	Phasing-in	Regional Competitiveness and Employment		
69.578	199.322	13.955	11.409	43.556	8.723	<b>347.410</b>

Source: European Commission, 2007a

## 2.3 Relevant theory

This subchapter provides relevant theory – the partnership principle – in order to outline the theoretical framework of this research project.

### Interpretation of the partnership principle

#### *SF regulations definition*

The partnership principle, first introduced in 1988, forms one of the guiding principles of the SF. In the programming period 2000-2006 the partnership principle is delimited by the European legislation as: “Community actions shall complement or contribute to corresponding national operations. They shall be drawn up in close consultation, hereinafter referred to as the 'partnership', between *the Commission and the Member State*, together with the authorities and bodies designated by the Member State within the framework of its national rules and current practices, namely: *the regional and local authorities and other competent public authorities, the economic and social partners, any other relevant competent bodies within this framework*. The partnership shall be conducted in full compliance with the respective institutional, legal and financial powers of each of the partners. [...] Partnership shall cover the preparation, financing, monitoring and evaluation of assistance.” (Official Journal of the European Communities, 1999b: Article 8)

In the programming period 2007-2013 the partnership principle is extended: “Each Member State shall organise, where appropriate and in accordance with current national rules and practices, a partnership with authorities and bodies such as: (a) *the competent regional, local, urban and other public authorities*; (b) *the economic and social partners*; (c) *any other appropriate body representing civil society, environmental partners, non-governmental organisations, and bodies responsible for promoting equality between men and women*.” (Official Journal of the European Communities, 2006a: Article 11)

However, the partnership principle is not defined by the EU *acquis communautaire* only; the breadth and form of partnerships is also defined by, “the responses of individual Member States and regions, based on their own institutional arrangements and administrative practices and their perception of the potential gains to be derived” (Bachtler and Taylor, 2003: 32).

#### *Other sources definitions*

The EC defines the partnership principle as, “a fundamental principle underpinning all aspects of cohesion policy — programming, implementation, monitoring and evaluation — and has now been widely accepted as a key element of good governance. The system of multi-level governance,

<sup>27</sup> In the new programming period, the n+3 rule is to be applied for the period 2007-2010 (and the n+2 rule from 2010) for twelve new member states as well as for Greece and Portugal. Remaining thirteen member states further apply the n+2 rule. (European Commission, 2007a: 36)

based on strategic approach and involving Community, national, regional and local authorities and stakeholders helps to ensure that actions are adapted to circumstances on the ground and that there is a genuine commitment to success." Partnership principle supports, "the development of pacts between the various actors concerned, helping them to work together to solve common problems. Such initiatives need to be encouraged further to mobilise all interested parties in the reform process at national, regional and local level." (European Commission, 2007b: ix, 114)

The partnership principle requires, according to Senior Nello, "horizontal cooperation between organisations at the regional and local levels, and the development of vertical aspects of multi-level governance" (Senior Nello, 2005: 280).

The partnership has a vertical level (partnership between the EC and the member state) and a horizontal level<sup>28</sup> (partners at the level of the member state). Thereby, the cooperation is spread to entities that are not a direct part of the SF implementation structure (regions, towns, municipalities, private subjects, etc.) in order to ensure that the FBs will partake in concrete SF distribution. (Ministry for Regional Development of the Czech Republic, 2004b: 17)

Baldwin and Wyplosz delimitate the partnership principle as: "the Commission, the Member State concerned, the regional and local authorities, industry and labour unions should cooperate in the spending" (Baldwin and Wyplosz, 2006: 244).

According to McDonald and Dearden, the successful implementation of the EU's regional policy depends on, "close partnership and cooperation between European, national and sub-national authorities" (McDonald and Dearden, 1999: 229-230).

The partnership principle emphasises, as mentioned by Potluka *et al*, active participation of relevant authorities at all levels (local, regional, central, the EU) in preparedness, implementation and monitoring of outcomes of the Measures carried out within the SF (Potluka *et al*, 2003: 55-56).

Marinov *et al* see the partnership principle, "at the heart of the design and use of post-accession instruments. It implies close cooperation between the European Commission, central and sub-national governments, NGOs and the private sector, in order to achieve common development objectives" (Marinov *et al*, 2006: 6).

Partnership requires, as pointed out by McMaster and Bachtler, "actors from different institutions and organisational cultures, with varying priorities and interests, to work together in pursuit of shared objectives". The Managing Authorities must ensure partnership by involving maximum number of relevant partners in the SF Programmes consultation process on three levels: a) inter-ministerial coordination, b) involvement of relevant social, economic and regional partners, c) public consultation (McMaster and Bachtler, 2005: 11).

### **Application of the partnership principle in practice**

According to Brown *et al*, the partnership principle is applied at three levels:

- *supra-national level* (i.e. partnership fulfilment between the EC and the member states at the EU's regional policy objectives fulfilment);
- *programme (national) level* (i.e. partnership fulfilment between the national government and the regional and local authorities, social and economic partners and partners substituting civil society at the preparedness and implementation of the SF Programmes);
- *project level* (i.e. partnership fulfilment between the national government and the regional and local authorities, social and economic partners and partners substituting civil society at the preparedness and implementation of the individual projects) (Brown *et al*, 2007: 36).

The EC, the member state, regional partners, social partners, municipalities, NGOs and the FBs are the partners in application of the partnership principle.

The partnership is formalised within these structures: the Monitoring Committees, the secretariats and technical assistance, the Management Committees and the Managing Authorities (Kelleher *et al*, 1999: 51-53). The Monitoring Committees provide, "the most important platform for formal partnership-working in all EU Member States" (European Policies Research Centre, 2008: 6).

Table 10 reviews partnership in practice at each of the SF Programme stage and Table 11 provides overview of desirable presence of partners in decision making.

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<sup>28</sup> The degree of participation of horizontal partners varies across the EU, whereas the vertical partnership of the member state and the EU is obligatory for each member state (Kelleher *et al*, 1999: 39).

Table 10: Partnership in practice at each of the SF Programme stage

Phase of the SF programming cycle, in which the partners can be involved	
Planning and preparation of the Programmes	Programme development
	Negotiating Programme content
	Identifying which spatial areas should receive assistance
	Fixing targets for the intervention
	Fixing indicators
	Deciding on project selection criteria
	Preparing the Programme Complement
	Ex-ante Programme evaluation
Management and implementation of the Programmes	Selection of projects
	Programme management
	Use of technical assistance
	Undertaking actual projects
Monitoring and evaluation of the Programmes	Project monitoring
	Programme monitoring
	Programme adjustments and re-programming
	Evaluation

Source: Adopted from European Commission, 2005 and Kelleher *et al*, 1999

Table 11: Desirable presence of partners in decision making

Programme stage	EC	Member State	Regional Admin.	Social partners	Municipalities	NGOs
<i>Planning and preparation</i>	X	X	X	X	X	X
Programme development	X	X	X	X	X	X
Negotiating Programme Content	X	X	X			
Identifying which spatial areas should receive assistance	X	X	X		X	
Deciding on project selection criteria	X	X	X	X	X	X
Ex-ante Programme evaluation	X	X	X	X	X	X
<i>Management and implementation</i>		X	X			
Selection of projects		X	X			
Programme management		X	X			
Undertaking actual projects		X	X	X	X	X
<i>Monitoring and evaluation</i>	X	X	X	X	X	X
Project monitoring		X	X			
Programme monitoring	X	X	X			
Programme adjustments and re-programming	X	X	X			
Evaluation	X	X	X	X	X	X

Source: Adopted from Kelleher *et al*, 1999

The extent and effectiveness of partnership working in a member state depends on two sets of factors: first, *formal administrative practices and traditions*; second, *experience/capacity of regional and socio-economic partners* (European Policies Research Centre, 2008: 7).

As Kelleher *et al* show, there is a vast difference in the practice of partnership (difference in composition of the partnership and levels of devolved responsibility from existing governmental structures) across member states due to differences in: “a) the strength of different institutional actors (national, regional and local tiers) and b) inter-departmental co-ordination and competition at the level of central government. [...] The role of the partners can also be influenced [...] by the range of partners involved, their individual organizational capacities and resources, and the nature of the programme.” (Kelleher *et al*, 1999: 17-18) “The importance of prior experience of partnership working, either within Structural Funds or in preceding national programmes [...] and the growth of regionalisation, decentralisation and deconcentration across the European Union” also contribute to the shaping of partnership across the EU (*ibid*: 156-157).

The key driver of successful partnerships is, “the attitude and commitment of central governments. [...] The Member States continue to dominate and delimit partnership functioning through their key roles in both negotiating programme content and in determining the extent of the horizontal partnership, and through their habitual roles of providing secretariats and acting as managing authorities.” (*ibid*: 41-42, 159)

### Value added of the partnership principle

The following text presents contributions and positive effects of the application of the partnership principle in practice as mentioned by various authors.

According to the EC, partnership can bring positive benefits and added value to, “the implementation of cohesion policy through enhanced legitimacy, greater coordination, guaranteed transparency, and better absorption of funds through improved selection of projects and dissemination of information to potential project promoters”. Partnership can also generate further benefits such as, “the improvement of institutional capacities at different levels (local, regional and national), better inter-institutional coordination and communication at the national level, or a better involvement of civil society”. (European Commission, 2005: 3, 12)

The EC refers to the nine positive effects of the application of the partnership principle:

First, “through the involvement of a broad group of participants, a wider range of expertise is available for use during the programming cycle of Structural Funds programmes. This can help to improve the effectiveness of programme development, monitoring and evaluation. [...] Partners can improve programme effectiveness by raising the efficiency of project selection. [...] Partnership leads to greater commitment and ownership of programme outputs, and hence to a direct interest in the success of the programme.”

Second, partnership legitimises, “the decision making process by counterbalancing any specific political or other influence [...] and contributes also to the transparency in decisions and decision-making processes through their [partners'] channelling of information”.

Third, “involvement of partners contributes to the development of institutional capacity at sector and territorial levels (local and regional authorities) [...] and creates opportunities for reinforcing innovation and learning across organisational boundaries”.

Fourth, the partnership improves, “the planning and implementation procedures of public administrations responsible for the Structural Funds [...] and enhances institutional networking and cooperation between national and regional authorities”.

Fifth, “the participation of the partners helps to secure the relevance of Structural Funds co-financed projects, their connection to national and EU policy issues and a better quality of projects”.

Sixth, partners are vital in, “persuading public authorities to simplify administrative procedures”.

Seventh, partners have a key role in, “defining objective of the Structural Funds interventions, the dissemination of information, and in highlighting problem and implementation issues”.

Eights, partnership provides, “a network for information exchange and the sharing of best practice, thus fostering greater efficiency in the implementation of the programmes”.

Ninth, “by representing a specific sector of the populations, partners can identify the need of the groups they represent and any related problems of implementation”. (European Commission, 2005: 4-5, 11)

According to Bachtler and Taylor, the commonly perceived benefits of partnership are:

- improved vertical coherence (multi-level involvement helps support policy coherence);
- shifting the centre of gravity (stronger involvement of more local actors);
- a greater awareness of the ‘bigger picture’ (transparency is increased thanks to the flows of information in a partnership setting);
- collaborative working and co-operation on economic development initiatives;
- improved decision-making in the management of economic development interventions (project selection etc.) (Bachtler and Taylor, 2003: vi, 33-35).

The European Parliament adverts to the ability of the partnership, “to enhance effectiveness, efficiency, legitimacy and transparency at all stages of structural fund planning and implementation, as well as to increase commitment to and ‘ownership’ of programme outputs” (European Parliament, 2008: 1).

European Policies Research Centre considers the partnership to be, “one of the main areas of added value associated with the Structural Funds, [...] which has brought enhanced transparency, co-operation and co-ordination to the design and delivery of regional development policy, and better quality regional development interventions as a result” (European Policies Research Centre, 2008: 43, 83).

Effective absorption of the SF requires partnership since partnership can, as Marinov *et al* mention, “build social capital and attract the co-financing needed to utilize the structural funds”. Application of the partnership principle via the SF can gradually influence other sectors and become intrinsic to policy-making; thus, the partnership principle can both facilitate the SF absorption and help democratise and modernise policy processes at the national and sub-national level. (Marinov *et al*, 2006: 6)

According to Parvonič, the application of the partnership principle is important since it enables:

- to achieve transparency of the whole process, which is a crucial condition in the case of the SF;
- to make the process of the common objectives and indicators determination more effective;
- to partake in strategies development;
- to reinforce identification of partners with the strategies implemented (Parvonič, 2005: 21).

Partnership is underpinned, according to Kelleher *et al*, by a number of positive benefits including: “greater effectiveness in terms of programme development and monitoring, more effective project selection, greater legitimacy and transparency for decisions once taken, greater commitment and ownership of Structural Fund outputs, opportunities for reinforcing innovation and learning across institutional boundaries, development of institutional capacity at sectoral and territorial levels”. More effective implementation, better targeting of programme actions and enhanced local development capacity<sup>29</sup> are basic purposes of the partnership principle. (Kelleher *et al*, 1999: 156-157, 16-17) Table 12 outlines contributions of partnership to beneficial outcomes as suggested by Kelleher *et al*.

Table 12: Contribution of partnership to beneficial outcomes

Outcome	Contribution
Transparency/visibility of the SF on the ground	significant or large
Identification of the partners more closely with the SF	significant or large
Changes to non-SF arrangements	significant
Improved co-ordination across organisational boundaries	significant or large
Replacing top down and distant decision-making with locally owned solutions	some or significant
Compensating for institutional inertia with innovation and flexibility	some or significant
Empowering Programme beneficiaries vis a vis Programme deliverers	some
Avoiding the duplication of efforts	some or significant
Leveraging of mainstream budgets of the partners	some or significant
Increased ability to absorb the SF	significant
Better planning, implementation and quality of Programmes	significant or large
More effective management of resources	some or significant
The development of institutional capacity	significant or large
Local partnership development	some or significant
Appropriate and timely decision-making	some or significant
Increased Programme fitness for purpose (given the context and nature of operations)	significant
Increased Programme acceptability	some or significant
Inclusion of a wider set of organisations in Programme decision-making	significant
Increased expression of the principle of subsidiarity	significant
Transfer of good practice to other settings in the preparation and programming phase of the policy cycle	some
Organisational learning and its transfer to other organisations	some or significant
Increased participant identification with the SF	some or significant
Improved preparation and planning	significant
Improved implementation and management	significant
Improved monitoring and evaluation	some or significant
Better project selection	significant

Source: Kelleher *et al*, 1999

## 2.4 Conclusion

Subchapter 2.2 provided general information on the EU's regional policy and the SF in terms of purpose of the EU's regional policy, development of the EU's regional policy including main stages in the policy evolution and policy reform milestones, principles on which the EU's regional policy is based, effectiveness of the EU's regional policy to fulfil its intention to reduce regional disparities within the EU, and eligible regions based on the territorial statistical classification. Besides, strategic objectives, financial instruments (including the SF), programming processes and budget of the EU's regional policy were clarified for programming periods 2000-2006 and 2007-2013. Subchapter 2.2, thus, answered RQ 1a: *What is the EU's regional policy and the SF?*

Subchapter 2.3 provided information on relevant theory – the partnership principle – in terms of its interpretation, application in practice and value added.

Subchapters 2.2 and 2.3 established theoretical framework of this thesis; the following chapters deal with empirical part of the thesis.

<sup>29</sup> Working in partnerships has spill-over benefits obtained through partner learning from each other.

## PART II: EMPIRICAL PART

### 3. Empirical research methodology

#### 3.1 Introduction

As the research framework (see Figure 2) demonstrates, the empirical part of this research is divided into two data collection and analysis phases – documents review and interviews – that are described in the subsequent subchapters.

#### 3.2 Documents review

The first data collection phase – qualitative phase – starts with documents review, i.e. collection and analysis of the already existing materials related to the SF implementation in the CR.

##### Aim

The aim of the first data collection phase is to provide information on: what the EU's regional policy looks like in the CR, what the current situation of the SF utilisation in the CR is, what factors influence the SF successful utilisation, what barriers prevent the CR from the SF successful utilisation, at which level(s) of the four mentioned levels the utilisation barriers originate in the CR, what actions should the CR take to enhance the SF implementation and what of these actions the CR has indeed taken and what actions the CR did not take.

As mentioned in subchapter 1.7 Research material, documents review is to answer:

RQ 1b: <i>What does the EU's regional policy look like in the CR?</i>
RQ: <i>What is the current situation of the SF utilisation in the CR in comparison with other new EU member states?</i>
RQ 1d: <i>What factors influence the SF successful utilisation?</i>
RQ 1e: <i>What are the barriers that prevent the CR from the SF successful utilisation?</i>
RQ 1f: <i>At which level(s) ('The EU – National government', 'National government – Regional authorities', 'Institutional', 'Private') do the SF utilisation barriers originate in the CR?</i>
RQ 2a: <i>What actions should the CR take in order to improve the SF utilisation?</i>
RQ 2b: <i>What actions (named in RQ 2a) has the CR already taken?</i>
RQ 2c: <i>What actions (named in RQ 2a) did the CR not take?</i>

It has to be emphasised that information to be found in documents on RQs 1e and 2a represent standpoints of the various Managing Authorities ("MAs") of the OPs/SPDs in the CR, the EC and other authors but not necessarily of the FBs.

##### Data collection

Documents represent data sources that will be accessed via search method. Required information will be found in programming documents on the EU's regional policy implementation in the CR, policy papers, evaluation and other reports, publications, journals, published analyses and statistics, websites, etc. Considering that the SF implementation in the CR is a relatively new topic, a special attention will be paid to electronically published documents. Qualitative data collected in diverse documents will be presented in subchapter 4.3.

##### Data analysis

Collected data will be analysed in subchapter 4.4 where the data will be coded in codes addressing the themes.

#### 3.3 Interviews

On the basis of the first data collection phase, the second qualitative data collection phase (interviews) will be designed and conducted.

##### Aim

The aim of the second data collection phase is to find out what the FBs, which are experiencing SF utilisation problems, perceive as a difficulty in the SF utilisation and what according to them should be done to enhance the SF implementation in the CR.

As mentioned in subchapter 1.7 Research material, interviews are to answer:

RQ 1e: <i>What are the barriers that prevent the CR from the SF successful utilisation?</i>
---

RQ 2a: <i>What actions should the CR take in order to improve the SF utilisation?</i>
---

Information found on RQs 1e and 2a in documents in the first data collection phase represents standpoints of the MAs, the EC and other authors but not necessarily of the FBs on barriers that prevent the CR from the SF successful utilisation and on actions that should be done to enhance the SF implementation in the CR, whereas the second data collection phase will supplement viewpoints on these matters from the FBs' perspective.

At this moment, it is not evident what FBs have difficulties with the SF utilisation, i.e. it is not clear at which micro level (*'Institutional'* and/or *'Private'*) the inner utilisation barriers originate; the decision on what FBs the research should be aimed at will be made after the documents analysis.

*The following text was added after the documents analysis:*

As mentioned in subchapter 4.4.3, insufficient financial, personnel and technical capacities concern especially the small FBs; these insufficient capacities limit their ability to develop and manage (quality) projects and affect their interest to compete for the SF aid. The small FBs that are missing these necessary capacities arise both at *'Institutional' level* (small municipalities, small NGOs) and *'Private' level* (small enterprises). Thus, based on the outcomes of the documents analysis, it can be concluded that inner utilisation barriers originate at both micro levels in the CR (*'Institutional' level* and *'Private' level*). Hence, interviews should be aimed at the small FBs at both micro levels: *'Institutional' level* (small municipalities, small NGOs) and *'Private' level* (small enterprises).

### **Data collection**

People (small FBs) represent data sources that will be accessed via semi-structured face-to-face individual interviews. Total expected number of interviews will be six (two interviews with small municipalities, two with small enterprises, and two with small NGOs)<sup>30</sup>. As shown in Table 16, the SF Programmes co-financed from the ESF in the CR have considerable utilisation problems in the shortened programming period 2004-2006. Thus, the interviews will be aimed at small municipalities, small enterprises and small NGOs who drew aid from the OP Human Resources Development or SPD for Objective 3; both these Programmes are co-financed from the ESF and face utilisation problems in 2004-2006. All the six interviewed entities will be selected randomly from the list of implemented projects co-financed from the OP Human Resources Development and from the list of implemented projects co-financed from the SPD for Objective 3 published online<sup>31</sup>. Thereby randomly selected small municipalities, small enterprises and small NGOs will be contacted and asked whether they would like to participate in the interview. The names of the interviewed entities and interviewed persons will not be mentioned in this thesis in order to ensure confidentiality. Qualitative data collected via interviews will be presented in subchapter 5.2.

### **Data recording procedure**

While conducting interviews, the interview protocol for recording the answers to open-ended questions will be used. The interview protocol, which will be the same for each interviewed entity, is provided in English in Appendix 5<sup>32</sup>. The interview protocol is designed to be able to contribute to answering RQs 1e and 2a and to assess the seven hypotheses formulated in Table 3. The information will be recorded using handwritten notes.

### **Data analysis**

Subchapter 5.3 will analyse collected data by coding them in codes addressing the themes.

## **3.4 Conclusion**

This chapter illuminated methods of data collection to be used in this thesis with specifications on what the data collection phases' aim is and how the data would be collected, recorded and analysed. The following chapter starts with documents review.

<sup>30</sup> For purpose of this thesis, small municipalities are understood as municipalities with 6 000 inhabitants maximally, small enterprises are understood as enterprises with 50 employees maximally, and small NGOs are understood as NGOs with 15 employees maximally.

<sup>31</sup> (European Social Fund in the CR, 2008), (National Training Fund, 2008).

<sup>32</sup> The interview protocol provided for the interviewed FBs will be in Czech.

## 4. Documents review

### 4.1 Introduction

Documents review constitutes the first data collection phase of a qualitative kind. As already mentioned in subchapter 3.2, the aim of the documents review is to answer six RQs (1b, 1c, 1d, 1f, 2b, 2c) and to contribute, together with interviews, to answering two RQs (1e, 2a). Thus, documents are an important data source used to answer the two central RQs.

Before starting investigating inner causes of the CR's utilisation problems and providing measures that might improve the effectiveness of the SF utilisation in the CR, subchapter 4.2 provides basic information on the EU's regional policy in the CR in 2004-2006 (RQs 1b, 1c). Subchapter 4.3 presents the information found in various documents on RQs 1d, 1e, 2a, 2b, 2c. Subchapter 4.4 analyses this information in order to come up with common themes and to summarise information presented in subchapter 4.3. Subchapters are subdivided according to the RQs.

Subchapter 4.5 analyses the seven hypotheses of inner causes of the CR's utilisation problems, formulated in Table 3, based on the outcomes of the first data collection phase (documents review) and subchapter 4.6 rationalises relevance of the selected theory – the partnership principle.

### 4.2 The CR and the EU's regional policy in the period 2004-2006

#### 4.2.1 Explanations of terms used

This subchapter explains terms related to the SF Programmes implementation<sup>33</sup> in the CR in 2004-2006.

*Applicant* is a subject submitting a project application for the SF aid.

*Call for proposals (call to submit projects)* is published in the press and on the websites of the Managing Authority ("MA") and the Intermediate Bodies ("IBs"). Terms of calls are set by the MA of the OP. Each call contains the call number, title of the OP/Priority/Measure, list of eligible applicants, place for project submission, specification of time and date by which project application has to be submitted. (Ministry for Regional Development of the Czech Republic, 2005: 58)

*Co-financing* means participation of various subjects in financing the individual projects. Each project's eligible expenditures are co-financed by the SF, by the national public financial means (state budget, state funds, and budgets of regional councils/regions/municipalities) and eventually by the private financial means of the FBs. Each Measure of the OP specifies this co-financing.

*Control of project acceptability* expresses a control of acceptability of a project and applicant with respect to the OP's basic conditions, financial and legislative presumptions, the EU's regional policy principles, etc. Non-fulfilment of any of the acceptability criteria means a project exclusion from a further assessment. Acceptability criteria are evaluated with answers YES fulfilled/NO not fulfilled. General acceptability criteria, which are further specified in the Measure, are:

- project is related to only one Measure of the OP;
- project will be carried out in the relevant Cohesion Region (NUTS II);
- project is in accordance with the legislative of the CR and the EU;
- project respects the minimum limit of eligible expenditures set for the given Measure;
- project does not have a demonstrably negative influence on any of the horizontal priorities;
- the applicant fulfil the final beneficiary ("FB") definition stated in the Measure. (Ministry for Regional Development of the Czech Republic, 2005: 27)

*Decision on subsidy* is a legal act issued by the relevant MA providing financial means to the FB. The decision is issued for the whole implementation period of a project and contains identification of the subsidy beneficiary, purpose to which the subsidy is provided, co-financing rate, time schedule of the project implementation, conditions required for the subsidy provision, etc. (Ministry for Regional Development of the Czech Republic, 2005: 46)

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<sup>33</sup> Information on the OPs presented in subchapter 4.2.1 also applies to the SPDs in the CR in the period 2004-2006. Programme is understood as the OP or the SPD.



*Eligible expenditures* are entitled expenses of a project that can be co-financed from the SF, i.e. those that correspond with the aim of the OPs, their Priorities and Measures. The Programme Complement of the OP defines its own eligible expenditures. In general, eligible expenditures have to be: expended during the project implementation in accordance with the objective of the Measure, documented with the accounting documents, and demonstrably paid by the FB<sup>34</sup>. (Ministry for Regional Development of the Czech Republic, 2005: 59)

*Final beneficiary* is a public or private subject who asks the MA for the SF aid and receives financial means from the SF from the Paying Authority via the Paying Unit. As for grant schemes, grant schemes promoters (e.g. regions) are the FBs who distribute the financial means received from the MA between the grant projects submitters (final recipients). As for individual projects, FBs are identical with the final recipients. (European Union Funds website, 2007a)

*Final recipient* is a subject who carries out a project and receives financial means from the SF from the FB. As for grant schemes, final recipients are the implementers of the grant projects submitted within the grant schemes. (European Union Funds website, 2007a)

*Financial agreement*, specifying the Decision on subsidy, is made between the MA and the FB who has been selected for the co-financed project implementation. The MA hands over the Financial agreement to the Paying Unit and sends it to the Paying Authority. (Ministry for Regional Development of the Czech Republic, 2005: 49)

*Formal control* means that each project application is subjected to a formal control executed by the IB that consists of a control of completeness of a project application and its compulsory appendixes. Exact list of formal requirements is stated in the relevant instructions for applicants. Formally unsatisfactory project applications are returned to the applicant. (Ministry for Regional Development of the Czech Republic, 2005: 27-28)

*Grant scheme* is a group project containing a range of grant projects. The FB is a promoter of the grant scheme who receives and assesses grant projects submitted by the final recipients. (European Union Funds website, 2007a)

*Horizontal priorities of the SF* emphasise areas to be taken into account in the EU's regional policy objectives fulfilment. In the period 2000-2006 these included: equal opportunities, environment, information society, and balanced development of regions. (European Union Funds website, 2004)

*Implementation structure* is the structure and duties of the authorities and institutions responsible for the management and implementation of the OP and projects (Ministry for Regional Development of the Czech Republic, 2005: 21).

*Indicators* serve for monitoring of a process and result of implementation of projects, Measures, Priorities, and Programmes with respect to the objectives set. List of the monitored indicators is approved by the Monitoring Committee and it is a part of the Programme Complement. (Ministry for Regional Development of the Czech Republic, 2005: 21)

*Individual project* is a project not covered by the grant scheme. Individual projects submitters are always the FBs and final recipients at the same time (European Union Funds website, 2007a).

*Intermediate Body* ("IB") is, "a public or private entity acting under the responsibility of the MA or performing activities relating to beneficiaries on the MA's behalf" (Ministry of Education, Youth and Sports, 2007: 166).

*Managing Authority* ("MA") is, "a national, regional or local public authority or a public or private body designated by the member state to manage the operational programme" (Official Journal of the European Communities, 2006a: Article 59).

*Monitoring Committee* is an authority supervising implementation of the CSF, the OPs and the SPDs (Official Journal of the European Communities, 1999b: Article 35).

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<sup>34</sup> Ineligible expenditures are reimbursed from the applicant's resources.

*Monitoring system of the SF.* Monitoring process of the SF is realised via the information systems, which monitor implementation of the Programmes and projects co-financed from the SF:

- *MSSF* is an information system ("IS") for gathering data on formal and financial monitoring of all the Programmes co-financed from the SF.
- *Monit (ISOP, SAP, IS)* is an IS for gathering data on formal and financial monitoring of all the projects co-financed from the SF; it is an IS of the IBs for administration of projects of the MAs.
- *Benefit, ELZA* are electronic applications used by applicants for filling of the projects data (Ministry for Regional Development of the Czech Republic, 2007e: 11-12).

*Paying Authority* is, "one or more national, regional or local authorities or bodies designated by the Member States for the purposes of drawing up and submitting payment applications and receiving payments from the Commission" (Official Journal of the European Communities, 1999b: Article 9).

*Paying Unit* is an IB of the Paying Authority; it is an authority to which the Paying Authority delegates performance of some of its tasks (European Union Funds website, 2007a).

*Payments to the final beneficiary* are transferred by the Paying Unit to the FB after finishing the project implementation based on the submitted documents required (invoices etc.). In some cases advance payments or continuous invoices paid out are provided, which has to be explicitly stated in the Financial agreement. (Ministry for Regional Development of the Czech Republic, 2004b: 3)

*Physical control of project realisation* is carried out during a project implementation (interim) or consequently after the project implementation (ex-post). Interim control is always executed when the application for payment is submitted by the FB/final recipient. Ex post control is carried out only within the projects sample determined on the basis of a risk analysis. (Ministry for Regional Development of the Czech Republic, 2005: 26)

*Project application* is a form that an applicant for the SF aid fills in and submits to the IB/FB (Ministry for Regional Development of the Czech Republic, 2005: 40).

*Project approval.* The IB compiles a list of projects with the highest scores from the project assessment and submits it to the MA for approval. The MA approves the list of projects to be supported together with an amount allocated to each project. (Ministry for Regional Development of the Czech Republic, 2004b: 3)

*Project assessment* concerns projects that fulfilled formal requirements and acceptability conditions. This project assessment proceeds on the basis of criteria approved by the Monitoring Committee of the OP and is executed by various evaluators via pre-stated questions (varying according to the type of Measure and applicants) that are granted with points. Projects with the most points are selected. Number of supported projects is limited by the allocations to the given Measure and region. At some OPs, the selection committee is entitled to change the order of the evaluated projects. (Ministry for Regional Development of the Czech Republic, 2005: 54-55)

*Project budget* describes financing structure of a project in the individual implementation years in terms of financial resources (resources of the SF, the CR, and the applicant) and financial expenditures, including division of eligible and ineligible expenditures (Ministry for Regional Development of the Czech Republic, 2005: 46-47).

*State aid (public support)* is, "any aid granted by a Member State or through State resources in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods shall" (Official Journal of the European Communities, 2002: Article 87). State aid of a short range ("de minimis") means that the whole aid granted to an enterprise will not exceed € 100 000 over any period of three years (Official Journal of the European Communities, 2001: Article 5).

*Target group* is a group of people that the Measure is aimed at.

#### 4.2.2 RQ 1b: What does the EU's regional policy look like in the CR?

##### NUTS classification of the CR

The whole CR creates NUTS I, which is further divided in eight so-called Cohesion Regions (NUTS II) and fourteen regions (NUTS III) (see Table 13).

Table 13: The NUTS classification of the CR

NUTS 0	NUTS I	NUTS II (8 Cohesion Regions)	NUTS III (14 regions)
The whole area of the CR	The whole area of the CR	Prague	Capital City of Prague
		Central Bohemia	Central Bohemia Region
		Southwest	South Bohemian Region
			Pilsen Region
		Northwest	Karlovy Vary Region
			Ustí Region
		Northeast	Liberec Region
			Hradec Králové Region
			Pardubice Region
Southeast	Vysočina Region		
	South Moravian Region		
Central Moravia	Olomouc Region		
	Zlín Region		
Moravia-Silesia	Moravian-Silesian Region		

Source: Adopted from Czech Statistical Office website, 2007

##### Programming documents of the CR

Following the programming procedures indicated in subchapter 2.2.8, the CR's programming documents for the EU's regional policy implementation in the period 2004-2006 includes: the NDP of the CR 2004-2006, the CSF, the OPs, and the SPDs. The OPs and SPDs designed by the CR for implementation in the period 2004-2006<sup>35</sup> are outlined in Table 32 in Appendix 4.

In the CR all the Cohesion Regions (NUTS II) with the exception of Prague Cohesion Region have GDP per capita less than 75 percent of the EU average, and thus meet the criterion for ranking among regions supported by Objective 1. Objective 1 has been fulfilled by five OPs in the CR in the shortened programming period 2004-2006 (see Table 32 in Appendix 4). Prague Cohesion Region does not fulfil the above mentioned criterion, and thus it is eligible to utilise the SF within Objective 2 and Objective 3 via two SPDs in the period 2004-2006 (see Table 32 in Appendix 4).

##### Implementation structure of the SF in the CR

Basic implementation structure of the SF Programmes (the OPs and SPDs) in the CR in the shortened programming period 2004-2006 is provided in the following table.

Table 14: Implementation structure of the SF Programmes in the CR

Authority	
MA of the CSF	The Ministry for Regional Development of the CR ("MRD") bears overall responsibility for the effectiveness, sound management and implementation of the SF in the CR.
MAs of the OPs / SPDs	Each OP/SPD has its MA (see Table 32 in Appendix 4).
IBs of the OPs / SPDs	Each OP/SPD has at least one IB (see Table 32 in Appendix 4).
Paying Authority	The Ministry of Finance of the CR ("MF") is the single Paying Authority for all the OPs/SPDs.
Paying Units	The Paying Units are established at the ministries (i.e. at the MAs).
Audit Authority	The MF is responsible for audits verifying effective managing and controlling system of the SF implementation in the CR.
Monitoring Committee of the CSF	List of members is determined in the CSF of the CR 2004-2006.
Monitoring Committees of the OPs/SPDs	List of members is determined by the relevant MA.
FBs of the OPs/SPDs	Indicative overview of FBs is provided in Table 32 in Appendix 4.

Source: Adopted from Ministry for Regional Development of the Czech Republic, 2004a

<sup>35</sup> The SF programmes designed by the CR for implementation in the programming period 2007-2013 are outlined in Table 33 in Appendix 4. Total number of Programmes increased from 7 in the period 2004-2006 to 24 in the period 2007-2013.

## SF Programmes implementation in the CR

Figure 5 clarifies implementation of the OPs and SPDs in the CR in the period 2004-2006.

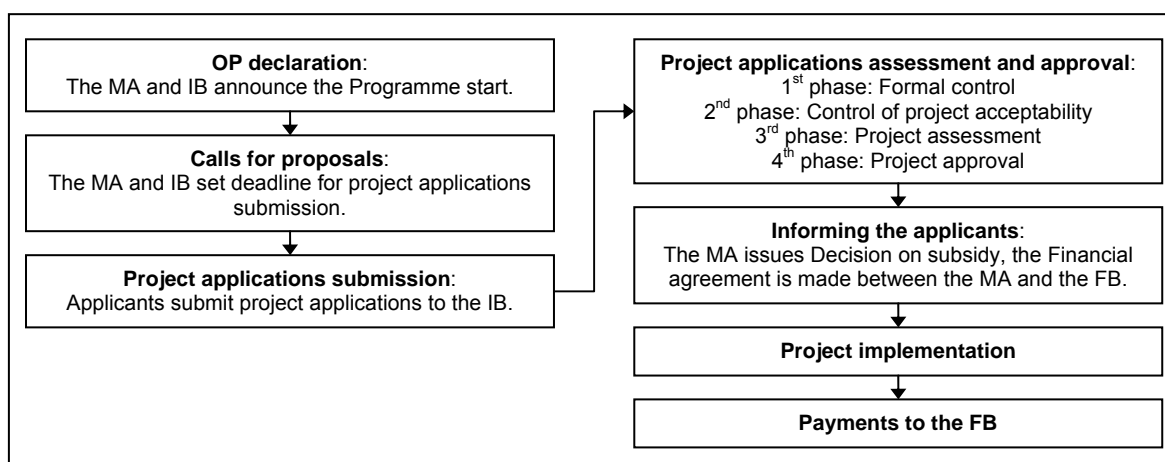


Figure 5: Implementation scheme of the SF Programmes in the CR

Source: Ministry for Regional Development of the Czech Republic, 2004b

Subchapter 4.2.2, thus, answered RQ 1b: *What does the EU's regional policy look like in the CR?*

### 4.2.3 RQ 1c: *What is the current situation of the SF utilisation in the CR in comparison with other new EU member states?*

In total € 1 584.35 million (at 2004 prices, the Community Initiatives excluded) had been allocated from the SF to the CR for the shortened programming period 2004-2006 (data provided by the Directorate General for Regional Policy). Breakdown of the SF resources among Objectives and OPs/SPDs is provided in Table 16.

In Graph 2 in Appendix 1, showing data as per 23<sup>rd</sup> September 2008<sup>36</sup>, the ten new member states are compared in terms of the amount of the SF (the ERDF, the ESF, the EAGGF, and the FIG) utilised as a percentage of the total amount of the SF allocated to the individual member states in the shortened programming period 2004-2006. Graph 2 shows that the CR ranks 8<sup>th</sup> within the EU-10 with respect to the SF implementation ability. The CR has managed to utilise 81.68 % of its SF total allocation for 2004-2006, i.e. the CR still has to spend 18.32 % of its SF allocation for 2004-2006 but it can only be made till 31<sup>st</sup> December 2008.

Table 15 provides details of utilisation of the individual SF in the CR and Table 16 provides details of utilisation of the individual OPs/SPDs in the CR in the shortened programming period 2004-2006.

Table 15: SF allocation and utilisation in the CR in the period 2004-2006

	<b>Allocation 2004-2006</b> (mil. EUR, at 2004 prices)	<b>Utilisation as per 23<sup>rd</sup> September 2008</b> (mil. EUR, at 2008 prices)	<b>Utilisation/allocation</b> (%)
ESF	424.890166	283.41911411	66.70 %
ERDF	985.562948	845.47797045	85.79 %
EAGGF	169.790354	161.30083600	95.00 %
FIG	4.111073	3.90551935	95.00 %
<b>Total</b>	<b>1 584.354541</b>	<b>1 294.10343991</b>	<b>81.68 %</b>

Source: Data provided by the Directorate General for Regional Policy

<sup>36</sup> 23<sup>rd</sup> September 2008 represents the most up-to-date statistics at the moment of writing this chapter.

Table 16: SF Programmes allocations and utilisation in the CR in the period 2004-2006

Objective	SF	OP/SPD	Allocation 2004-2006 (mil. EUR, at 2004 prices)	Utilisation as per 30 <sup>th</sup> September 2008 <sup>37</sup> (mil. EUR, at 2008 prices)	Utilisation / allocation (%)
Objective 1	ERDF	OP Industry and Enterprise ("OP IE")	260.8521	188.2002	72.15 %
	ERDF	OP Infrastructure ("OP I")	246.3604	220.2938	89.42 %
	ESF	OP Human Resources Development ("OP HRD")	318.8193	204.9963	64.30 %
	EAGGF FIFG	OP Rural Development and Multifunctional Agriculture ("OP RDMA")	173.9014	159.8806	91.94 %
	ERDF ESF	Joint Regional OP ("JROP")	454.3326	434.8466	95.71 %
<b>Subtotal Objective 1</b>			<b>1 454.2658</b>	<b>1 208.2175</b>	<b>83.08 %</b>
Objective 2	ERDF	SPD for Objective 2 ("SPD 2")	71.2954	57.8998	81.21 %
<b>Subtotal Objective 2</b>			<b>71.2954</b>	<b>57.8998</b>	<b>81.21 %</b>
Objective 3	ESF	SPD for Objective 3 ("SPD 3")	58.7934	45.5790	77.52 %
<b>Subtotal Objective 3</b>			<b>58.7934</b>	<b>45.5790</b>	<b>77.52 %</b>
<b>Total</b>			<b>1 584.3546</b>	<b>1 311.6963</b>	<b>82.79 %</b>

Source: Ministry for Regional Development of the Czech Republic, 2008

Subchapter 4.2.3, thus, answered RQ 1c: *What is the current situation of the SF utilisation in the CR in comparison with other new EU member states?*

### 4.3 Documents review – results

This subchapter presents the information found in various documents on RQs 1d, 1e<sup>38</sup>, 2a, 2b, and 2c.

#### 4.3.1 RQ 1d: *What factors influence the SF successful utilisation?*

According to the European Policies Research Centre, *absorption capacity* is the most important factor contributing to the SF effective utilisation. Absorption capacity stands for, "the degree to which a member state is able to effectively and efficiently spend the financial resources received in the framework of the Structural Funds. It requires effective management of the funds at institutional level (supply side) on the one hand and the ability of beneficiaries to carry out good projects on the other (demand side)". Supply side consists of three factors: "*macroeconomic capacity*, i.e. the rate of EU funding in terms of GDP<sup>39</sup> and the ability to absorb the effects generated by the inflow of the additional funds; *financial capacity*, i.e. the ability to generate and guarantee match-funding to co-finance the EU funds in multi-annual budgets; and *administrative capacity*, i.e. the ability of central, regional and local authorities to design good programmes and stimulate project development, to select good projects, to coordinate between stakeholders and partners at national, regional and local level, to deal with the administrative and reporting work, and to finance and supervise implementation". (European Policies Research Centre, 2008: 38, 40)

The most important conditions for the SF successful utilisation are:

- approval of all the programming documents by the EC;
- timely elaboration of executive documents of all the Programmes so that the FBs have a chance to timely prepare their project applications;
- absorption capacity of the FBs (i.e. abundance of good projects);
- ability of the MAs and IBs to properly administer submitted project applications and to ensure activities related to monitoring, control and financial flows (EU Structural Funds website, 2007).

According to Marks, ability of a member state to utilise the SF resources depends in particular on:

- ability to administer the SF resources;
- ability to prepare a sufficiently large number of appropriate quality projects;
- ability to co-finance projects from both the public and private resources.

<sup>37</sup> Utilisation is understood as the value of statements of expenditures sent by the Paying Authority to the EC.

<sup>38</sup> Based on the analysis of RQ 1e in subchapter 4.4.2, the answer to RQ 1f will be derived. This implies that the RQ 1f is not elaborated in subchapter 4.3 but in subchapter 4.4 only.

<sup>39</sup> Total annual allocation from the SF and the CF to the member state should not exceed 4 percent of GDP of the member state (Official Journal of the European Communities, 1999b: Article 7).

Speed, correctness and effectiveness of the SF utilisation at the beginning of the programming period are also critical. (Marks, 2004: 101, 120, 125)

McMaster and Bachtler define these aspects to be important for the SF successful utilisation:

- Policy choices: the member state must take decisions on the right funding priorities.
- Coordination with the national policy: the SF must be consistent with the domestic policies.
- Scope for regionalisation: at the sub-national level, a greater responsibility for the SF management and implementation must be delegated to regional levels.
- Coordination: coordination and cooperation across the relevant ministries, sub-national authorities and agencies must be ensured.
- Partnership: the MAs must involve maximum number of relevant partners in the NDP/CSF consultation process on three levels (a) inter-ministerial coordination, b) involvement of relevant social, economic and regional partners, c) public consultation).
- Effective implementation structure.
- Good projects generation.
- Efficiency and transparency of projects selection.
- Precise financial and physical monitoring process of the SF must ensure transparency and accountability of expenditures. (McMaster and Bachtler, 2005: 1-23)

Marinov *et al* suggest that the effective absorption of the SF depends on:

- solid preparation of the central administration, in the form of effective national policy frameworks, inter-ministerial coordination, well designed national programmes;
- decentralisation and close cooperation and partnership between the EC, central and sub-national governments, NGOs and the private sector in order to achieve common development objectives;
- strong implementation capacities;
- complete integration of the SF into the national public finance systems, particularly in terms of public procurement and public investment finance (Marinov *et al*, 2006: 5-7).

Sodomka mentions the following necessities for the SF successful utilisation:

- to ensure legislative framework adjusting the SF and connected areas (legislative readiness);
- to prepare quality programming documents to be approved by the EC (programme readiness);
- to establish functional implementation structure including effective and transparent managing and controlling mechanisms, and corresponding human resources (institutional readiness – at both national and regional level);
- to have sufficient financial means available for co-financing (financial readiness);
- to prepare sufficient amount of high quality projects to be implemented (project readiness) (Sodomka, 2003: 1-5).

Conditions that, according to Chvojková and Květoň, have to be met to successfully utilise the SF:

- the state has to well prepare strategic documents to be approved by the EC delimitating priorities and objectives on whose achievement the SF will be spent;
- the implementation structure has to be ready to administer the SF;
- the general public, NGOs, regions, municipalities and further subjects have to be able to prepare an acceptable project and consequently to manage such a project (Chvojková and Květoň, 2007: 7).

Long-term approach to high levels of effective absorption of the SF requires:

- to integrate the SF and domestic policy: programming documents of the SF must be integrated into the national/regional policies/finances (the SF should logically support the government public policy priorities);
- to focus the SF assistance more tightly: to make it clear what the SF want to support;
- to develop and optimise human resources and organisational capability (Ecorys, 2004: 99-108).

Šumpíková *et al* mention two requisites that have to be pursued so that a member state can draw full benefits from the SF: adequate information dissemination and capacity building in local government and civil society for the conception and implementation of development projects (Šumpíková *et al*, 2003: 1).

Furthermore, the Programmes should be focused on genuine demand of the target groups (Prague City Hall, 2007a: 46) and activities advertising the Programmes should start right before the start of the programming period in order to provide time for projects preparation, which would prevent from time delays in projects submission (Regional Council of the Northwest Cohesion Region, 2007: 98).

#### **4.3.2 RQ 1e: What are the barriers that prevent the CR from the SF successful utilisation?**

The following text presents information related to the barriers that prevent the CR from the SF successful utilisation as explicitly stated in the programming documents of the CR, policy papers, evaluation and other reports, publications, journals, and websites.

##### **Programming documents on the EU's regional policy implementation in the CR**

The proposal of the NDP of the CR 2007-2013 names the following problem areas of the SF implementation in the CR in the period 2004-2006: slow start of the Programmes resulting from inexperience of both the submitters and implementation structure and insufficient personnel capacity of the implementation structure (Ministry for Regional Development of the Czech Republic, 2006b: 111).

##### *Reflection on all the OPs 2004-2006 in general*

Five major issues of the SF implementation in the CR in the period 2004-2006 include:

###### 1. Slow Programmes start-up

This was a consequence of inexperience of both the project submitters and Programmes administrators. Main issues include: insufficient and non-quality awareness of the FBs, lack of communication and collaboration between the ministries and regional councils and other entities involved in the implementation structure, insufficient methodological support and management by the superior structures, spasmodic project applications admission.

###### 2. Insufficient implementation structure's capacity

Lack of personnel in the implementation structure, closely related to high professional demands placed on the staff, and high staff fluctuation are considered as an issue.

###### 3. MSSF

The monitoring system of the SF is not user-friendly and produces further problems for the implementation structure's staff. Errors and uncertainties in indicator definitions, their configuration, their aggregation at a higher level of IS and their fulfilment are serious problems. Understanding of indicators' and evaluators' side is low.

###### 4. Insufficient quality of projects

Low quality of project applications due to inexperience of in particular small project submitters is a problem. Submitted projects often do not solve genuine needs of the target groups; activities/services suggested by the submitted projects are not led by the target groups' actual demand and projects are beyond the basic mission of the submitting organisation.

###### 5. Complexity

Formal requirements of project applications and approval process are too complex.

(Ministry of Labour and Social Affairs of the Czech Republic, 2008: 73-76)

The main problems of the SF utilisation in the CR in the period 2004-2006 occur in four areas:

*Management and coordination*: insufficient harmonisation of the Czech and European legislation (e.g. the partnership principle), complex implementation structure, lack of cooperation and communication within the implementation structure, liability of the manuals issued by the MA CSF, heterogeneity of the Programmes implementation, non-transparency and discrimination at projects selection. *Monitoring*: problems with transfer of data between the individual levels of the monitoring system, unrealistic indicator setting. *Administrative and absorption capacity*: insufficient personnel capacity of the implementation structure with high staff fluctuation, high expert burden and insufficient and non-motivating education of staff within the implementation structure, limited absorption capacity of especially small applicants. *Publicity*: terminologically ambiguous, non-ordered, out-of-date information provided in the programming documentation (especially in the manuals for applicants), insufficient informedness on projects approved/disapproved. (Ministry for Regional Development of the Czech Republic, 2007e: 9-20)

There are six major problems recognised in the present SF implementation:

- "System of implementation is complicated and demanding from the administrative point of view.

- In the process of application approvals and subsequent management of the programmes with active projects, the deadlines defined for individual operations are not met. [...]
- A significant factor of a limited absorption capacity is the lack of sources for full ex-ante financing and co-financing of projects on applicants' side.
- In spite of the efforts made by the managing authorities, the awareness of subjects involved in programmes implementation is unsatisfactory.
- The system of managing and monitoring programmes is complicated and user-unfriendly.
- Providing for a sufficient administrative capacity." (Regional Council of the Central Moravia Cohesion Region, 2007: 69-70)

Other weak points: problems in financial flows, communication and coordination within the implementation structure, different interpretation of the rules of state aid by various IBs, problems related to provision of the Programmes implementation in terms of paper work, time and personnel capacity (Regional Council of the Southeast Cohesion Region, 2007: 46-47).

The SF Programmes implementation faces these problems:

- Relevance of the actual Programmes indicator setting is problematic. Indicator setting determines priorities at projects selection, thus unsuitable indicator setting excludes certain activities from the aid grant.
- Allocation to human resources sphere in the period 2004-2006 is overestimated as the demand in some regions does not correspond with the allocation (absorption in this sphere is limited).
- Submitted projects do not always reflect the objectives set for the Priorities and are only focused on actual problems' solution without a significant impact on the regional development.
- Project assessment system is focused on technical parameters of submitted projects and does not reflect on projects' genuine impact on the region (technically well-prepared projects are preferred but with a minimal impact on the regional development). Currently experts from a database or staff of the implementation structure assess projects; such a practice misses quality of project assessment as a stable and controllable service. Non-existing feedback on project assessment influences interest of potential applicants.
- Low ability of the number of successful applicants to implement projects according to the conditions set in the signed contracts due to the fact that the project applications have been elaborated by the consultancy entities without a close linkage to the project submitter. This is accompanied by low experience of applicants with complex administrative requirements of the SF projects implementation. Small applicants do not have sufficient personnel and financial capacities to fulfil these requirements.
- Insufficient knowledge of potential applicants regarding the rules of the SF Programmes as a consequence of insufficient and too general propagation of the Programmes.
- The same forms at calls for proposals are rarely used, rules for aid grant are not clear, rules from the promoter's side are changing during the Programmes declaration in a very short time period, time period for a project preparation, submission and assessment may be even longer than the time period for the project implementation.
- Immoderately lengthy realisation of the payments to the FBs resulting from complicated financial flows procedures.
- Insufficient readiness of the IS and problems with cohesion between Monit and MSSF. (Regional Council of the Northwest Cohesion Region, 2007: 95-104)

Insufficiencies in the SF utilisation in the CR in the period 2004-2006 include insufficient interconnection of the SF Programmes with the Czech system of public interventions and low interest of applicants caused by difficulties with financing and complex aid rules. Lack of interest is especially in the Measures where a 'competition' of the state aid is and in the Measures requiring a complex approach (e.g. non-investment projects) with whose implementation applicants do not have any experience. (Regional Council of the Northwest Cohesion Region, 2007: 95)

The CR has a problem with utilisation of the large ESF allocations to the human resources and social integration Programmes due to an uneasy access of subjects entitled to implement relevant non-investment Measures to pre-financing and co-financing means (NGOs in particular) (Regional Council of the Southwest Cohesion Region, 2007: 11).

#### *Reflection on the OP IE 2004-2006*

The OP IE deals with the following implementation deficiencies: complexity of the implementation structure and implementation procedures, insufficient administrative capacities, and complicated



communication between applicants and the implementation structure (Ministry of Industry and Trade of the Czech Republic, 2007: 47).

#### *Reflection on the OP HRD 2004-2006*

Results of the OP HRD utilisation in the period 2004-2006 are affected by late start of calls for proposals, insufficient information provided for the FBs, administrative-demanding implementation of projects, insufficient experience in formulating and submitting projects on the FBs' side.

Implementation of the OP HRD reveals the following insufficiencies: "Insufficient administrative capacity, errors in IS Benefit, information transfer within the implementation structure given by its complexity, and changes in conditions for applicants. The project preparation by applicants was further complicated by ambiguous interpretation of public support and unclear set-up of the partnership principle, including the settlement of financial fulfilment between final recipients and partners. The whole process of project evaluation was often affected by different evaluation from various evaluators, which resulted in additional processing of an independent expert report, which again resulted in delayed approval of requests for aid." (Ministry of Education, Youth and Sports of the Czech Republic, 2007: 38).

#### *Reflection on the JROP 2004-2006*

Difficulties related to the JROP utilisation include:

- "Structure: complicated programme implementation structure (high number of the IBs).
- Methodology and transparency: insufficient methodical assistance and management of the MA towards the IBs; inconsistent determination of responsibility of particular subjects, including responsibility for checking if deadlines are met; non-transparent and complicated information supply to applicants and beneficiaries.
- Communication and coordination: high demands on coordination and communication with respect to the high number of subjects participating in implementation; non-transparent and complicated information supply; applicants/beneficiaries are badly acquainted with subjects participating in JROP.
- Administrative/personnel/time demandingness: insufficient personnel capacity in the whole implementation structure; high professional demands on employees; high fluctuation of employees due to absence of sufficient motivation of employees (including suitable models of career growth); long terms of project administration." (Regional Council of the Central Bohemia Cohesion Region, 2007: 27)

Major problems related to the grant schemes included: "unclear task specifications and insufficient level of coordination provided by authorities during the preparation of the grant scheme, frequently changing information and insufficient access to information on changes relevant also to regions acting as subsidy providers, problem of insufficient coordination among all units within the implementing structure, and unclear competence of expenditures relating to both individual projects and projects within the grant scheme framework" (Regional Council of the Northeast Cohesion Region, 2007: 74).

Other difficulties of the JROP implementation involve:

- bureaucratic processing of project applications;
- proportionally inadequate distribution of financial means between the individual Measures not corresponding with the actual development needs of the regions;
- complicated implementation structure difficult for applicants' orientation, complicated and prolonged administration process of applications and financial flows at projects implementation;
- complicated indicators for the Programme activities assessment;
- MSSF inability to properly process and transfer the data within the implementation structure (Regional Council of the Southwest Cohesion Region, 2007: 11-12).

Capacity of the JROP implementation structure was not sufficient at the beginning especially in the financial management and control spheres; this insufficient personnel capacity led to slow JROP start and insufficient informedness of the FBs (Ministry for Regional Development of the Czech Republic, 2007c: 53). Applications submitted within the JROP 2004-2006 were of a low quality at the beginning due to low experience of applicants and incorrect focus as a result of applicants' effort to adapt their need to the focus of the OP (Regional Council of the Northeast Cohesion Region, 2007: 74). Applicants have a minimum feedback on their projects assessment, which eliminates a chance to correct projects for future re-submission and enhances applicants' feeling of lack of transparency of the whole system leading to a negative impact on applicants (Regional Council of the Southwest Cohesion Region, 2007: 13).

### *Reflection on the SPD 2 2004-2006*

The following deficiencies complicate the SPD 2 utilisation:

- substantially complex implementation structure (a range of entities from various levels and with a partial competence are involved in the system);
- complexity and non-coherency is a cause of slow projects approval, payments difficulties, administrative severity, which discourages potential applicants from applications submission;
- establishment of the MA at the Ministry level does not reflect the specifications and operating principles of the local self-governance that are different from those of public administration;
- low experience of Prague Cohesion Region with the EU funds utilisation (Prague was excluded from the EU pre-accession instruments utilisation) (Prague City Hall, 2007b: 26).

### *Reflection on the SPD 3 2004-2006*

Eight insufficiencies prevent the SPD 3 from a more successful utilisation:

- complex implementation structure (three IBs);
- delay in the first calls for proposals due to non-readiness of the implementation structure;
- complicated MSSF;
- low coordination of application of some rules (such as documentation of the eligible expenditures) within the implementation structure;
- lack of integrated and unambiguous setting of indicators, which makes it difficult to aggregate indicators at a higher level and to understand indicators on applicants' side;
- complicated system of rules (based on the Czech legislation and internal guidelines of the implementation structure) between the aid providers and FBs;
- bureaucratic complexity of project applications submission and request for payment;
- low quality of projects due to applicants' low knowledge of project management and insufficient linkage of projects to the strategic documents and target groups' needs (Prague City Hall, 2007a: 46-47).

### **Other documents**

Ex-ante evaluation of the NDP of the CR 2004-2006, reflecting on the CR's utilisation of the pre-accession instruments, mentions that a lower ability of the Czech entities to prepare quality projects and subsequently to implement them might be the biggest problem of the CR's absorption capacity and a potential difficulty in the SF utilisation of the CR in the shortened programming period 2004-2006. Besides, there exist worries that some FBs (small municipalities etc.) will not be able to provide required co-financing. (Berman Group, 2003: 67-69)

Čaušević points out that the SF financial management in the CR incorporates these insufficiencies:

- advance payments are not provided (with the exception of the ESF);
- the whole process of eligible expenditures reimbursement to the FBs is lengthy<sup>40</sup>;
- insufficient staff capacity of the MAs, IBs and control units;
- non-existence of methodical instructions that would guide control procedures;
- most methodical materials (such as Eligible expenditures) does not have any liability (Čaušević, 2005: 10, 18).

Fanta *et al* identifies these difficulties in the SF utilisation in the CR:

- coexistence of a double track system of the SF Programmes and national grant programmes;
- insufficient competences of the MA CSF towards the MAs and discrepancy in competences and responsibilities of the MAs, IBs and FBs;
- insufficient personnel capacity (and frequent fluctuation) of the implementation structure especially at the regional level resulting in infringement of deadlines for projects administration (projects assessment, contract conclusion, etc.);
- small technical, personnel and financial capacity of small subjects (small NGOs, small municipalities, small enterprises);
- problems regarding the necessity to possess the financial means prior to the project initiation;
- lack of coordination of information activities of the IBs, lack of comprehensibility of the grant possibilities for potential applicants, insufficient informedness of potential applicants;
- issues of projects assessment: quality of evaluators evaluating projects, discriminative evaluation criteria<sup>41</sup>, risk of subjectivity as no transparent systems of projects assessment exist;

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<sup>40</sup> The main control of the eligible expenditures is realised by the IB that controls accounting documents as well. Checked applications are handed over to the MAs for approval. After approval, applications are handed over to the Paying Unit that carries out a formal control and accumulates applications to be sent to the Paying Authority.

- low clarity, transparency and functionality of the three-level monitoring system;
- low interest of the FBs in some of the Measures (Fanta *et al*, 2005: 14-64).

According to Eurion, consultancy and educational company, weak points of the SF implementation in the CR are in terms of informedness, quality of projects and administration.

*Weak points as for informedness* involve: “bad arrangement and complexness of provided information, especially on the Internet; frequent changes in conditions for applicants in the process of calls; low comprehensibility of provided information; discrepancies among information sources; insufficient applicants’ awareness of Economic and Social Cohesion policy, fields of aid and possibilities of financing projects from SF”. *Weak points as for quality of projects* include: “applicants’ informedness when preparing a project (information quality and availability); without personal consultations with the IBs it is almost impossible to prepare a project of a high quality; insufficient applicants’ experience with project preparation; insufficient ‘maturity’ of submitted projects plans; insufficient structure and possibilities of electronic project applications; insufficient experience, possibilities and capacity of administrators and information providers; inconvenient setting of evaluative criteria; insufficient quality of evaluators; projects evaluation is often influenced by other than ‘qualitative’ factors; excessive preferring ‘formal quality’ of project applications to ‘real quality’; low quality of programme documents and strategies”. *Weak points as for administration* relates to: complex, administrative-demanding and non-transparent projects administration system; insufficient cooperation within the implementation structure; frequent rules changes; ineffective, slow, unclear and user-unfriendly monitoring system; expert quality of human resources and staff fluctuation within the implementation structure; lengthy projects assessment often of a low quality. (Eurion, 2005: 29-31).

Problems in the SF implementation structure in the CR in 2004-2006 as identified by Potluka *et al*:

- complicated implementation structure (administrative-demanding complex system, too many authorities, unclear relations among them with low mutual coordination and cooperation, insufficient cohesion of activities of the individual MAs);
- low transparency of implementation processes due to complex implementation system;
- personnel (staff fluctuation), technical and financial provision (Potluka *et al*, 2005: 9-11,16).

According to Šumpíková, outputs of various evaluation studies concerning the SF utilisation in the CR are not respected especially in situations when their conclusions do not correspond with political priorities of the relevant MA; suggestions on desirable changes in the SF implementation in the CR are not taken into account in such cases (Šumpíková, 2005: 7-8).

Berman Group identifies these problems of the SF implementation in the CR in 2004-2006:

- the SF Programmes are not connected with the Czech (state and regional) programmes, with their objectives and funding, in some cases the Czech programmes compete with the SF;
- lack of interest (and experience) in some types of projects new for the CR and insufficient demand of target groups for services in human resources development (the ESF);
- lack of experience of applicants with project management, lack of offer of consultancy services;
- limited investment capacities of regions;
- insufficient administrative, financial and personnel capacity of small subjects (small businesses, small NGOs, small municipalities) limiting their projects development and insufficient personnel and expert capacity of the FBs<sup>42</sup>;
- unwillingness of applicants to develop projects knowing that the amount of resources for the Measure is limited and their chance to get the SF aid is low (Berman Group, 2005: 11-30).

Transparency International in its various reports mentions the following problems related to SF projects assessment, selection and implementation in the CR in 2004-2006:

- problems with timeliness and accuracy of information provided about calls for proposals and changes of conditions during calls for proposals being announced;
- low availability of information about approved/implemented/completed projects and about decision processes and competences (unavailability of manuals, operating procedures, etc.);
- development and implementation of projects is administratively and financially demanding;

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<sup>41</sup> Such as: Are you a holder of accreditedness of a course? Are you a member of a professional association/chamber?

<sup>42</sup> Regional authorities and assigned labour offices administer the grant schemes.

- absence of financial capacities and expert knowledge of potential applicants necessary to prepare and manage project (NGOs, municipalities, entrepreneurial sector);
- insufficient fulfilment of the partnership principle at programme and project level due to absence of its legal delimitation;
- problems with ambiguity and changes of assessment criteria, problems with quality of evaluators (diverse evaluation conclusions as various evaluators have various criteria);
- subjectivity of project assessment resulting from non-existence of project assessment systems that would be transparent and unambiguous;
- ability of the selection committees to change the order of the evaluated projects not reflecting the points awarded by the evaluators and influence of political representation on projects selection (e.g. by selecting suitable evaluators) makes the system non-transparent;
- formal insufficiencies as a frequent reason for projects rejection;
- process slackness (from project submission to contract conclusion) (Šumpíková, 2005: 17-19, Potluka *et al*, 2005: 6-26, Potluka *et al*, 2006: 18, Brown *et al*, 2007: 37-45).

Transparency International mentions these problems in access to information and transparency:

- problematic access to information (many mutually uncoordinated information sources with incomplete, out-of-date, unclear information, terminologically heterogeneous);
- the individual OPs have their own websites that are not always in consistence with the information published on the central website [www.strukturalni-fondy.cz](http://www.strukturalni-fondy.cz);
- non-transparency at projects selection (a range of internal methodical materials for projects selection do exist but these are not published, which creates an impression of influenceability of projects selection by political representations) (Potluka *et al*, 2006: 14-15).

The EC in its position paper on the NSRF of the CR 2007-2013 points out to the quality and effectiveness problems of the CR's public administration<sup>43</sup>, which are: "slow modernisation process linked to low effectiveness of organisations and management, slow development of public administration at the level of regions and micro-regions, absence of comprehensive systemic changes in public administration at local level and rural municipalities, deficiencies in structure and skills of staff, delay in the introduction of modern technologies" (European Commission, 2006: 7).

Limited availability of information about: list of supported and unsupported projects, brief projects description, reasons for exclusion or support (including evaluators' comments), the number of points awarded (order of projects), and the amount of grant contributes, according to Špok, to a low level of transparency of the projects selection procedures (Špok, 2006: 8-13).

Institute for Structural Policy, IREAS, defines these obstacles complicating the SF utilisation in the CR in the period 2004-2006: demanding and complex implementation structure, insufficient personnel capacity of the implementation structure, insufficient absorption capacity of the Programmes, discordance with the European and international procedures, non-anchorage of certain aspects in the Czech legislation (e.g. the partnership principle), demanding and non-transparent procedures at projects administration, high requirements put on the FBs that make them approach professional companies to work out a project application, insufficient personnel capacity of small FBs (small municipalities, small NGOs), insufficient identification of applicants with the calls for proposals, inconsistency of information provided for the FBs by various institutions, ineffective fulfilment of Communication Plans, problems with the monitoring system and its disunion, and problems with definition of the eligible expenditures (Institute for Structural Policy, 2006: 14-47).

Potluka *et al* and Brown *et al* draw attention to mutual non-cohesion (and also overlap) of the Czech public intervention programmes and the EU's regional policy Programmes, which is a barrier to a smooth SF utilisation in the CR (Potluka *et al*, 2006: 12, 27). These programmes compete with each other; more attention is paid to the national grant programmes as they have less demanding requirements for projects submission and implementation (Brown *et al*, 2007: 69).

The comprehensive report on the SF utilisation elaborated by the MRD indicates the following major causes of ineffective utilisation of the SF in the CR in the period 2004-2006: low informedness about the OPs, complicated implementation structure of the OPs, insufficient

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<sup>43</sup> In 2004 the CR ranked 20<sup>th</sup> within the EU-25 in terms of the public administration quality indicator published by the World Bank (European Commission, 2006: 7).

transparency at project assessment, demanding and methodologically non-uniform administrative management (Ministry for Regional Development of the Czech Republic, 2007c: 56).

Pěchotová *et al* refer to extremely complicated, administrative-demanding and non-transparent (due to insufficient delimitation of competences of all the entities involved in the implementation structure) implementation system of the SF in the CR in the period 2004-2006. The FBs face these problems: complexity of administration process and high requirements on the FBs' personnel, technical and financial capacities (this excludes small municipalities and NGOs from competing for aid), non-transparent projects assessment (potential conflict of interest of evaluators and their own submitted projects, absence of professional evaluators, unlike knowledge and experience of evaluators), and problems with the partnership principle<sup>44</sup> (Pěchotová *et al*, 2007: 13, 17-18).

According to European Policies Research Centre, insufficient coherence of strategies and co-financing of the SF Programmes and the national programmes running in parallel, over-complicated implementation structure, insufficient coordination of operational procedures within the implementation structure, frequent changes of institutional authorities, lack of sustained personnel capacity of the implementation structure due to high staff turnover, weak programming framework, complicated rules and formal requirements underlying the SF, complex procedures for projects generations and projects selection, lack of information for the FBs, problems with the need for co-financing and pre-financing and the administrative requirements for reimbursement are the main obstacles impeding the effectiveness of the SF Programmes in the CR.

Quality of the Czech civil service remains far from professional as the CR's attempt to reform the central administration is being hampered by features from the past (highly politicised public administration, inclination to corruption, low salaries, lack of common standards, low public satisfaction with services). The SF Programmes design and implementation in the CR in 2004-2006 have been dominated by a central level, which lacked stability, coordination between the ministries and a coherent set of legislation adapted to the SF. Extent of regional influence on centrally oriented policymaking is weak and the inclination of the public administration to encourage inputs from regional bodies is limited; lack of communication channels and limited experience of cooperation through networks and partnership hamper the inclusion of both horizontal and vertical partners. (European Policies Research Centre, 2008: 38-48)

According to Potluka *et al*, projects selection within the regional policy in the CR in general is characterised by low transparency. Instability (including instability of system of financing municipalities and towns) of public administration influences the interest of municipalities and towns to compete for the SF aid requiring co-financing. (Potluka *et al*, 2003: 70, 71)

Marks mentions in his publication findings of the PHARE Absorption Capacity project<sup>45</sup>, which discovered that number of quality projects, especially outside the infrastructure area, would be limited in the CR. This was explained as a consequence of instability and confusion about the OPs and lack of skills in projects preparation resulting in inability to identify appropriate projects that would have a considerable impact on economic and social development. Major problems are not in technical preparation of projects but rather in establishing project proposals that would be suitable for the SF aid. (Marks, 2004: 103-104)

Excessive generality, i.e. lack of specifics in the focus of strategies and goals of the SF interventions, national and regional programmes, and low preparedness and complexity of the implementation structure (including complexity of the financial flows) are the main issues (Marks, 2004: 124-125).

EU Office Česká spořitelna states that: "Some experience indicates that project assessment is not always objective; some assessors either consciously or subconsciously push some projects or are against others, without this being deserved. It is said that some assessors are linked to some advisory companies, which prepare projects for clients. They are also criticised for excessive delays, which block rapid and flexible approval of projects." (EU Office Česká spořitelna, 2005: 12)

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<sup>44</sup> The partnership principle is required from the FBs, however, the anxiety of the FBs about being accused of avoiding the law about the public orders leads to restraint of cooperation between organizations.

<sup>45</sup> Absorption Capacity Project, formally entitled "Finalising of Structures and Measures to Increase the Absorption Capacity at the National and Regional Levels", ran in the CR between September 2003 and October 2004.

Zahradník and Jedlička mention that the possibilities and (personnel) capacities of the MAs and IBs are not sufficient enough to deal with a high volume of projects, which leads to a long waiting period between the projects approval and conclusion of the Financial agreement. Situation when the approved projects are successfully completed and the FBs are still waiting for the actual reimbursement also slows down the actual SF utilisation. The whole process of project assessment and Financial agreement conclusion lags behind. (Zahradník and Jedlička, 2006: 4-8)

According to Jana Bobošíková, Member of the European Parliament, high political instability is one of the causes of the SF slow implementation in the CR. Four successive ministers have already taken their post at the MRD in the period 2004-2006. (EU Office Česká spořitelna, 2006c: 10)

Sodomka identifies factors that have a negative impact on the SF utilisation in the CR, which are: late start of the EU's regional policy in the CR compared to other candidate countries, unfinished reform of the public administration (its professionalisation and modernisation), and delayed decentralisation (establishment of regional authorities/administration) (Sodomka, 2003: 1).

Moreover, there is an excessive commonness and vagueness of the Programmes, their Priorities and Measures are overlapping. Instability of the implementation structure in terms of the competent staff fluctuation, political shifts of head employees and structure's changes (establishment and disestablishment of departments) is dangerous. A common problem of the Czech public administration is a low inter-resort coordination and collaboration and unwillingness to communicate within and between institutions, which is a critical issue since increased coordination of several ministries (MAs) and their IBs is more than desirable. Demanding projects development and co-financing necessity are difficulties for potential applicants. (Sodomka, 2003: 2-4)

Šumpíková *et al* point out to the fact that the administrative capacity and the ability to prepare projects are the main restrictions in using the SF effectively in the CR. The preparedness of the Czech programming documents for the period 2004-2006 (the NDP, OPs, SPDs and Programme Complements) has been delayed, which has contributed to lagging in SF utilisation. The personal capacity of the OPs implementation structure is very limited. Whereas self-governing regions/big cities/big NGOs have often highly experienced staff in projects skills, small municipalities/small NGOs have to rely on external consultancy, i.e. there is only small number of highly experienced and skilled applicants in the CR. The absorption capacity is low in the human resources development sphere in the CR, there is a several times higher interest in submitting the infrastructure projects (hard projects) than in submitting the non-infrastructure projects (soft projects). (Šumpíková *et al*, 2003: 3-12)

According to Petr Zahradník, head of the EU Office Česká spořitelna, disharmony between the Measures formulation (supply) and the real development needs of a subject (demand), delay in publishing the individual Programmes and stagnant administration of the OPs contribute to a low rate of the SF utilisation (Edotace.cz website, 2005).

Petr Gandalovič, the former Minister for Regional Development of the CR, asserted that too strict procedures and complex implementation structure, insufficient informedness of potential applicants and the FBs, insufficient transparency at projects assessment and selection, regressive financing of implemented projects, and non-existence of unified methodology concerning the interpretation of the eligible expenditures are the main obstacles to a smoother SF utilisation in the CR (Ministry for Regional Development of the Czech Republic website, 2006a).

According to the MRD, complex and demanding implementation structure, lagging and complex administration procedures (lengthy process at projects assessment, projects selection, contracts conclusion), insufficient administrative capacity, insufficient harmonisation of the Czech and European law (e.g. the partnership principle) and violation of uniform co-financing rate contribute to a slow utilisation of the SF in the CR (Ihned.cz website, 2006b, EurActiv website, 2006b).

Miroslav Kalous, former chief magistrate of Pilsen, mentions that the complexity of the SF implementation system in the CR, fight between individual ministries for competencies, considerable staff fluctuation, volatile rules for the aid drawing from the SF forcing the FBs to continuously modify their projects applications and problems with co-financing deteriorate the utilisation rate of the SF in the CR (Edotace.cz website, 2006).

According to Jan Havránek, head of the consultancy company Raven EU Advisory, the system of the SF utilisation in the CR is the most complex one in the EU. Problems are in the public administration as well as in implementing agencies. The fact that each of the ministries is in charge of another political party leads to competition rather than cooperation between them; the MA CSF at the MRD does not have any executive competency even though it is supposed to coordinate all the MAs, which leads to a situation that each ministry acts differently. Complex projects administration and lengthy process of projects assessment and contracts conclusion are identified insufficiencies. (Havránek, 2006)

The EC criticised the CR for these issues related to staff of the SF implementation structure: insufficient staff capacity, qualifying profile of the staff, insufficient staff motivation, work complexity, frequent staff fluctuation, politisation of activities of staff, missing professionalisation, and exact staff incorporation (Ministry for Regional Development of the Czech Republic website, 2007a).

#### **4.3.3 RQ 2a: What actions should the CR take in order to improve the SF utilisation?**

The following text presents information related to the actions that the CR should take to enhance its SF utilisation as explicitly stated in the programming documents of the CR, policy papers, evaluation and other reports, publications, journals, and websites.

##### **Programming documents on the EU's regional policy implementation in the CR**

The proposal of the NDP of the CR 2007-2013 emphasises that it is necessary to reinforce the implementation structure's staff capacity, to make their activities more effective and to establish stable and quality management teams (Ministry for Regional Development of the Czech Republic, 2006b: 111).

The NSRF of the CR 2007-2013 concludes that the common problems do exist in the SF utilisation in the CR and suggests the following measures:

- "to produce a simple and synoptic structure of implementation wherein applicants will orientate themselves easily;
- to simplify the complicated administrative processes, thus contributing to a more speedy execution thereof;
- to make an adequate administrative capacity available, including the preparation of high-quality, highly skilled staff capable of responding to the clients' needs in a flexible manner;
- to assure an adequate absorption capacity for the EU Funds by implementing quality projects" (Ministry for Regional Development of the Czech Republic, 2007d: 34).

Measures that can contribute to enhancement of the SF utilisation in the CR in 2007-2013:

##### **1. Reinforcement of the implementation structure**

It is necessary to pay attention to the MAs' and IBs' sufficient staff capacity. The MAs and IBs should have a sufficient capacity of time, financial and personnel resources for the management setting and employees' motivation. Financial valuation of employees has to be improved and staff fluctuation reduced.

##### **2. Simplification of the implementation structure, better definition of duties and competencies**

The number of the IBs should be limited; the IBs should implement projects from the beginning till the end as the administration roles distribution between two bodies is not effective. Competencies and responsibilities of all the implementation entities have to be unambiguously given.

##### **3. Improvement of Programmes documentation**

It is inevitable to improve the Programmes documentation, to make it brief and understandable. All documentation (including documentation of the IB and the MA) should be interlinked. Procedures should be set in advance and their change frequency should be transparent. Measures should be narrowly focused and should be aimed at a narrow range of applicants.

##### **4. Simplification of the financial flows**

It is necessary to unify the procedures of financing from the SF and the national budget into one way. Procedures of expenditures certification have to be simplified.

##### **5. Improvement of the monitoring system and indicator system**

Various levels of the IS should be interlinked. Forms of project application should be as simple as possible; information should not be filled in double. Inaccuracies and vagueness in indicators definition should be removed; number of quantified indicators should be reduced and indicators

fulfilment should be questioned as wrongly set indicators might have a negative effect on the Programmes utilisation if the given indicators are not met.

#### 6. Simplification of the project selection system

A greater emphasis should be put on project quality; entity composed of experts should decide on project selection. Application and project selection mechanism should be unified for all the OPs. Programme conditions having impact on the project implementation should change as least as possible. Continuous work with especially small applicants (informative activities, consultancies) during the project preparation is essential. (Ministry for Regional Development of the Czech Republic, 2007c: 53-55)

In order to improve the SF utilisation in the new programming period, it is important:

- to simplify implementation and administration system by reducing the excessive number of the IBs, which would make the communication with the FBs faster and more flexible, and by reducing the paper work;
- to mandatory observe the deadlines in the project approval and administration;
- to stabilise and develop the implementation structure's staff (to implement an education system and a motivating system of remuneration) in order to smooth the Programmes implementation;
- to establish conditions for project financing that would be transparent and efficient and to enable ex-post payments (continuous reimbursement of already made payments);
- to ensure an efficient system of the Programmes management and monitoring;
- to increase the awareness of all the stakeholders via consistent implementation of the Communication Plans<sup>46</sup> and to provide applicants with consultations on their project proposals;
- to illumine the rules for including entities in the regime of state aid according to "de minimis" rule (Regional Council of the Southeast Cohesion Region, 2007: 46, Regional Council of the Central Moravia Cohesion Region, 2007: 69-70).

Other recommendations for the new programming period include:

- The ministries and regional councils should have a narrowly defined role. The ministries should have a sufficient capacity to be able to provide information and instructions for regional bodies. Instructions given to the regional bodies should not be changed.
- The implementation structure's staff should be provided with a quality further training focused on programme and project management. The implementation structure should introduce human resources planning and management methods. Technical assistance resources<sup>47</sup> will ensure adequate human resources.
- Reformulation of requirements by the MSSF contractors and better formulation of requirements for the IS is inevitable. Number of MSSF levels should be reconsidered and clear and comprehensible definitions of indicators should be set.
- In order to improve quality of submitted projects, technical assistance should support information activities and consultancy for the project submitters. When calls for proposals are advertised, informational and educational activities should encourage project submitters to pay more attention to the target groups' demands.
- Formal requirements of project applications and approval process should be simplified. (Ministry of Labour and Social Affairs of the Czech Republic, 2008: 73-76)

"The elimination of barriers, which diminish administrative capacity in the area of cohesion policy implementation, strengthening of absorption capacity and a shift away from passive bureaucracy to active implementation" are issues that should be handled in the new programming period through the technical assistance (Ministry for Regional Development of the Czech Republic, 2007d: 34-35).

Increasing the professional competencies of the employees involved in the Programmes implementation will ensure their smooth implementation. Local Programmes should be transferred to the regions to the maximum extent. It is also recommended to reduce the administrative burden of the FBs (Ministry of Transport of the Czech Republic, 2007: 46-47).

It is necessary to ensure competent staff for the implementation structure, i.e. to improve employees' professional education especially in the area of programme and project management. It is also required to prevent from undesirable staff fluctuation. As for the MSSF, it is necessary to

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<sup>46</sup> The Communication Plan is the means by which the MA provides information to subjects and the general public.

<sup>47</sup> Technical assistance budget of each Programme provides financial means for the Programme management. In the period 2007-2013 the OP Technical Assistance ("OP TA") is to provide financial means to secure unified approach to effective management, control, monitoring and evaluation of the NSRF Programmes 2007-2013.



simplify and rationalise the entire information and monitoring system including connection of all three levels. Establishment of unambiguous and clear indicator definition is inevitable. Quality of submitted projects should be improved via good practice examples provision, i.e. provision of information on projects successfully implemented in the period 2004-2006. (Ministry of Education, Youth and Sports of the Czech Republic, 2007: 38)

In the new programming period the CR has to improve unified management and coordination of the Programmes, to ensure sufficient effectiveness of the monitoring system, to reinforce the administrative and absorption capacity for the NSRF implementation, and to improve information provision on the SF (Ministry for Regional Development of the Czech Republic, 2007e: 22).

Measures that should be taken into account:

- simplification of the implementation structure that would ensure effectiveness of information and communication flows and uniformity of rules interpretation at the OPs level;
- provision of training for the current implementation structure's staff;
- removal of demand for securing the entire project financing prior to its implementation by introducing phase-based project financing;
- financial provision of the project to be proved by written word of honour of the applicant only;
- simplification of administration and more transparent documentation system for applicants and the FBs (information for applicants and FBs should be kept in a smaller number of documents);
- reduction of the number of appendixes of project applications;
- creation of a more objective way of project assessment with a greater emphasis on their quality and benefits for society (Regional Council of the Northeast Cohesion Region, 2007: 75-76).

Facets that should be improved in the new programming period 2007-2013:

*Programme implementation*: simplification of the implementation structure, simplification of the administration process of applications with exact setting of deadlines in projects administration, simplification of projects financing, limitation of the number of IBs, better coordination and cooperation between the OPs. *Programme evaluation and monitoring*: rationalisation of the indicator system in terms of a simpler and clearer hierarchical structure of the indicator system and a lower number of indicators, enhancement of projects assessment transparency via setting of evaluating criteria for each Area of Intervention and placing a greater emphasis on project quality. (Regional Council of the Southwest Cohesion Region, 2007: 13-14)

There is a strong need for rationalisation of the indicator system that, "should lead to the simplification of the complicated indicators proposed for the assessment of programme activities, and thus an increase in the transparency of the monitoring inspection mechanism and assessment of the success of the operational programmes" and a need for, "higher quality selected indicators with regard to their relevance in relation to programme objectives and their use in the stage of assessment of the effectiveness of interventions implemented by the operational programmes" (Regional Council of the Southwest Cohesion Region, 2007: 12).

There is a necessity to provide support for applicants in particular in the first years of the Programmes implementation in order to secure sufficient number of suitable projects (Regional Council of the Northwest Cohesion Region, 2007: 97).

It is necessary to secure a maximum feedback on projects assessment to make the process transparent and to further improve projects instead of projects elimination. In order to secure sufficient absorption capacity in terms of quality projects, it is required to provide intensive support for applicants, continuous consultancies, and informing on prepared Programmes aims, and to help applicants with documentation preparation. The Communication Plans should secure adequate Programmes publicity. A greater emphasis should be put on professional competence of the MAs' staff. Education programme should be individually set for every employee regarding his/her workload and should contain general education (project management, computer techniques and foreign languages courses) and specific education with respect to the employee's workload (accounting, state aid, eligible expenditures, financial management, control courses, etc.). (Regional Council of the Northwest Cohesion Region, 2007: 100-104)

#### **Other documents**

According to Čaušević, the whole process of eligible expenditures reimbursement to the FBs should be shortened by reducing the deadlines for a control of the eligible expenditures; this concerns the IBs, MAs, and Paying Units (Čaušević, 2005: 10). Šumpíková adds that the extensive number of monitoring indicators has to be reduced (Šumpíková, 2005: 14).

Fanta *et al* suggest these measures in order to improve the SF utilisation in the CR in 2007-2013:

- to interconnect the SF Programmes with the national grant programmes especially due to a potential problem with the national co-financing ability of the SF in the new programming period;
- to simplify the implementation structure (a lower number of the IBs);
- to define clear competences and rules for the open communication;
- to shorten activities related to projects administration and to simplify the projects applications;
- to provide consultancy on projects development and management for small subjects;
- to introduce a quarterly reimbursement of projects' eligible expenditures and a simpler financial mechanism for reimbursement for small subjects (e.g. shortened terms for reimbursement);
- to change the system of financing the individual levels of the Czech public administration with the aim to enhance the possibilities of municipalities and regions for a strategic planning;
- to carry out a quality selection of appropriate evaluators according to some criteria (experience with projects evaluation, experience with projects implementation, etc.);
- to eliminate discriminative assessment criteria and to publish all the information on: projects assessment procedures and criteria, assessment results and reasons for the given assessment;
- to enhance the usage of the internet portal [www.strukturalni-fondy.cz](http://www.strukturalni-fondy.cz) as the main information source for applicants and the FBs and to enhance publishing of good practice projects;
- to simplify the monitoring system to a two-level system (MSSF and Benefit);
- to enhance the cohesion between the indicators and the objectives of the OPs for an objective evaluation of the activities implementation;
- to fulfil the partnership principle at the OPs preparation by discussing the OPs priorities with the target groups in order to reinforce the absorption capacity (Fanta *et al*, 2005: 14-64).

According to Potluka *et al*, projects administration should be as simple as possible so as not to burden applicants. Financial capacities of the FBs should be supported via the state budget. Mutual coordination and information exchange within the implementation structure would help enhance effectiveness of the SF implementation; a lower number of the involved authorities would contribute to a higher coordination as well. Transparency of the whole implementation system might be enhanced by clarification of decision processes and competences and by publishing all operating manuals, methodical papers and other rules. (Potluka *et al*, 2005: 9, 11, 17).

Berman Group proposes these measures for solving the SF implementation barriers in the CR:

- to fuse/unify the national programmes and the SF Programmes and to re-direct the existing national financial resources to the funding of the SF Programmes;
- to change the legislative environment in the CR in order to stimulate the target groups' demand, to enable funding of preparatory services that would make project development of no experience easier, and to consider thoroughly the target groups' actual demand when developing Areas of Intervention for the new programming period;
- to reinforce the financial capacity of regions and to reinforce the FBs' capacities and expertise;
- to make the access to the SF assistance easier, to shorten the period between the claim and reimbursement, to support cooperation of small and large subjects within integrated projects, and to ensure financial means and programmes of assistance for small applicants<sup>48</sup>;
- to include consultancy services in the eligible expenditures, to implement projects of improvement of consultancy service and to extend the offer of trainings in the field of project development and management (Berman Group, 2005: 11-30).

Potluka *et al* recommend starting with trainings as soon as possible in order to improve qualification of the contemporary staff of the implementation structure and to ensure new staff required for the new programming period. Implementation unification of the national programmes and the SF programmes is critical. In order to overcome the problem of limited co-financing ability of some applicants, the existing national financial resources should be redirected to financing the EU's regional policy in the CR. It is highly recommended to support a complex central internet information source that would be the main system for information sharing, and to set as a duty to publish the key documents concerning the OPs implementation (all information on the OPs, internal methodical materials, rules, etc.) as well as results of projects assessment and control. It is necessary to simplify project applications (e.g. to eliminate those parts of the projects applications that are not used for evidencing or assessing projects) and the process of application for the SF aid.

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<sup>48</sup> E.g. to strengthen the financial tools oriented to small businesses as a part of assistance programmes for entrepreneurs that would facilitate their access to the financial resources.

Projects assessment should become more objective by standardisation and professionalisation of evaluators' attitudes (regular training and examining of evaluators). (Potluka *et al*, 2006: 11-18)

The EC in its position paper on the NSRF of the CR 2007-2013 recommends the following:

- to provide an integrated government strategy on how to modernise the Czech public administration in order to reinforce the institutional capacity;
- to strengthen central coordination of the OPs (the MRD, the MF) due to the increased number of the OPs (and the MAs);
- to strengthen the administrative capacity with a special focus on local and urban authorities, to reduce staff fluctuation in the implementation structure by providing financial resources and introducing human resources development policies, to provide the MAs and IBs with resources to perform their responsibilities and to correct weaknesses and delays detected in 2004-2006;
- to establish a pro-active integrated management IS, which covers all necessary information and forecasts on physical and financial progress;
- to provide clear and measurable criteria for projects selection;
- to train skills of the FBs so as to be able to develop and implement high quality projects;
- to establish an effective and efficient system of financial flows, which would be the most favourable for the FBs (European Commission, 2006: 28-33).

Špok and Kasáková state that projects selection process would be more transparent if the MAs would ensure that, "the entire selection process was monitored and evaluated in individual Measures and was accessible to the public in a well-arranged way" (Špok and Kasáková, 2007: 44). This information should be available for the general public: supported and unsupported projects (including a brief project description), reasons for support or exclusion (evaluators' comments), number of points obtained (order of projects) and costs of the project (Špok, 2006: 6).

Institute for Structural Policy, IREAS, stresses that the ministries (i.e. MAs) should not just supervise whether the FBs carried out all the procedures correctly but they should help the FBs. The criteria for projects selection should be more precisely set directly in calls for proposals. (Institute for Structural Policy, 2006: 42, 46)

According to Brown *et al*, the role of the main coordinator of the whole system of the OPs 2007-2013 must be reinforced. Mechanisms and conditions for a more intensive coordination between the individual MAs must be created. All the brochures, manuals and other information materials for potential applicants and FBs should be made more understandable and well-arranged. As for projects assessment, conflicts of interest of evaluators should be eliminated by obliging the evaluators not to participate in a project preparation submitted within the same Area of Intervention, which they are also evaluating in the period of the OP implementation. The selection committees' competence to change the order of evaluated projects should be abolished. Responsible authority should inform the applicant on the reasons for project exclusion. (Brown *et al*, 2007: 26-46)

The comprehensive report on the SF utilisation elaborated by the MRD indicates the following measures that should be taken for the new programming period 2007-2013:

- to set effective system of consultancies between the MRD – MAs, the MAs – IBs, the IBs – FBs;
- to elaborate for the MAs a methodology for preparation of the implementation documents, manuals and procedures, and thus to secure a greater effectiveness of the administration and projects assessment (e.g. to simplify methodical manuals, to reduce the number of mandatory appendixes, to accelerate projects assessment process and to enhance its transparency);
- to improve communication concerning the OPs in the regions (Ministry for Regional Development of the Czech Republic, 2007c: 56).

According to Transparency International, the CR should:

- establish well-arranged and understandable information sources for potential applicants;
- reduce administrative complexity of project applications and projects implementation;
- set and keep clear and understandable rules for projects implementation;
- standardise the evaluators' attitudes, make the assessment criteria objective, give reasons for projects disapproval, abolish the commissions' competency to alter rank of supported projects;
- define the partnership principle (Transparency International – Czech Republic, 2007: 2).

In order to make the whole system more transparent, Pěchotová *et al* propose to publish all the methodical papers, rules and operating manuals on the websites, which would create a more flexible and prompter system in a decision process and set clear rules for open communication. The partnership principle should be interpreted by all the entities involved in the implementation structure uniformly. A range of problems related to the projects assessment can be solved by professionalisation of the evaluators. (Pěchotová *et al*, 2007: 14, 17-18).

EU Office Česká spořitelna suggests the following:

- to improve transparency and comprehensibility of information on the EU funds;
- to improve administrative and procedural particularities (to reduce the number of the IBs and to unify the procedural rules of the MAs as much as possible so that an applicant communicating within several OPs does not have to undergo new differing procedures);
- to ensure sufficient and flexible co-financing;
- to eliminate doubts, scandals and frauds (to eliminate doubts regarding: projects assessment process, departure of the original project intent from its realisation, reporting of untrue and incomplete data and information) (EU Office Česká spořitelna, 2006b: 15-16).

The overall system of the SF implementation in the CR has to be simplified and made more efficient. The current re-financing scheme, under which the financial means are paid to the FBs after the project completion, should be replaced by a scheme, under which the financial means would be provided for the FBs after the completion of each project phase. The process of projects assessment should be simplified in such a way to reduce the required time from several months to several weeks. (EU Office Česká spořitelna, 2006d: 9-10)

The CR should, according to Sodomka, establish a simple transparent system of the OPs, minimise number of documents, eliminate overlapping of the Priorities and Measures, and ensure their greater concreteness and aiming (Sodomka, 2003: 2).

Petr Gandalovič, the former Minister for Regional Development of the CR, suggested establishing regional contact points that would provide information on all the OPs and help those applicants who cannot afford expensive consultancy firms (municipalities, NGOs, small enterprises) with project development and implementation. It is also necessary to reduce the period of project application processing and to replace a regressive reimbursement of projects with a continuous financing when individual project phases would be reimbursed. He also proposed replacing abstract advertisements with presentation of good practice to attract applicants. (Ministry for Regional Development of the Czech Republic website, 2006a, EurActiv website, 2006a)

Radko Martínek, the former Minister for Regional Development of the CR, proposed to abandon the regressive reimbursement of projects and to simplify the control of the SF resources distribution since the present multiple controls cause a lower SF utilisation (Ihned.cz website, 2006a).

According to Jan Havránek, head of the consultancy company Raven EU Advisory, the implementation system must be simplified, the conditions for the FBs loosened and the activities of the MAs unified (e.g. unification of mode of calls for proposals, projects assessment, etc.) (Havránek, 2006).

The MRD suggests the following measures for enhancing the SF utilisation in the CR:

- harmonisation of the Czech and European legislation;
- the MAs should deal with the whole process from projects' evaluation to request for payment;
- reinforcement of the administrative capacity by recruiting new employees;
- simplification of the administrative procedures;
- reallocation of resources (possibility to finance quality projects in those Measures/Priorities where there is more projects that would not be financed from the allocated resources);
- enhancement of the Programmes absorption capacity;
- support of the FBs at the projects preparation and acceleration of the financial flows to the FBs;
- improvement of the monitoring system of the SF (EurActiv website, 2006b).

According to the MRD, it is important to reinforce the implementation structure's staff capacity, to simplify administration (e.g. to limit a number of compulsory appendixes of a project proposal) (Ihned.cz website, 2006b). The implementation structure's staff has to be provided with training and educational programmes as well. The monitoring system of the SF has to be improved. (Ministry for Regional Development of the Czech Republic website, 2007b)

#### **4.3.4 RQ 2b: What actions (named in RQ 2a) has the CR already taken?**

The MRD has launched a unified electronic project application for all the OPs in the attempt to maximally facilitate work for applicants. Introduction of electronic processing and submitting of project applications via the web application and IS of the applicant with automatic data transfer between the IS of the applicant (web application) and the IS of the MA brings these advantages: "internet access to the application, possibility to insert electronic attachments, automatic controls of the inserted data, hints directly in the application, data security due to the creation of user's account and authorisation password, generation of the unique code ensuring the correspondence of the data when submitting the application to the MA, easier submission of the electronic application to the MA by the electronic import to the MA's IS based on the unique code". (Regional Council of the Northeast Cohesion Region, 2007: 76)

The main benefits of the web account: creation of clear conditions for the project application elaboration, enhancement of transparency of project application assessment and selection, provision of information on project implementation state, adherence of administrative terms, effective communication between the applicant and the MA (Ministry for Regional Development of the Czech Republic website, 2007a).

The Czech government has approved the material on how to establish a system of management, development, stabilisation and motivation of the implementation structure's staff that reacts to the problems criticised by the EC and that will lead to adoption of concrete measures to be adopted within the entire implementation structure of the SF in the CR. Each MA will: elaborate a programme of optimal capacity provision, be systematically enhancing the competences and expertises of its staff, ensure corresponding financial evaluation of the staff by using technical assistance budget, provide non-financial motivation (education and training) and financial motivation (regular financial rewards) as a presumption for staff stabilisation. (Ministry for Regional Development of the Czech Republic website, 2007a)

The possibility of hiring the staff for a definite term and covering staff costs from the technical assistance budget enables to secure sufficient administrative capacities for timely handling of project applications, for projects evaluation and payments authorisation (Ministry of Industry and Trade of the Czech Republic, 2007: 47). In 2006, the SF implementation structure gained new 98 employees (Ministry for Regional Development of the Czech Republic, 2007e: 13).

The MRD is conducting seminars and it is advertising the Programmes in the regional and national media; participation by the media in the OPs awareness enhancement is, however, still considered to be low in general (European Commission and Technopolis Group, 2007: 24).

Jiří Čunek, the contemporary Minister for Regional Development of the CR, mentioned that the MRD had launched an extensive informative campaign. Furthermore, application system and controlling system of all the OPs have been unified; thus, the system for applicants has been simplified. (Čunek, 2007)

In the new programming period 2007-2013 the SF means will be integrated into the state budget. The SF means will be pre-financed to the FBs from the state budget; the Paying Authority will subsequently transfer the SF means to the state budget. This will ensure a unified flow of the national and European financial means to the FBs and thereby the financial administration will be accelerated. In the period 2007-2013 a narrowed interconnection of the national grant programmes and the SF Programmes is ensured by eliminating of some of the national grant programmes and by initiating coordination between these programmes. However, it cannot be said that the full consolidation has been achieved. Some measures have been suggested (even financed from the OPs) to enhance the administrative capacity of the implementation structure. The MRD has elaborated the National codebook of indicators for the new programming period in order to establish a unified set of harmonious indicators, from which relevant indicators will be selected for the individual OPs. (Brown *et al*, 2007: 28, 61-70)

#### **4.3.5 RQ 2c: What actions (named in RQ 2a) did the CR not take?**

The EC has three main reminders towards the OPs designed by the CR for the period 2007-2013:

- fragmentation, illogicality, and non-cohesion instead of concentration: lack of coordination between the OPs and their MAs during the Programmes preparation;

- smart administration: Czech public administration reform should be more in depth, staff training and information technologies purchase is not enough;
- SF implementation in the CR: in spite of the unfortunate experience from the shortened programming period 2004-2006 there is no attempt to simplify and to make the SF implementation more effective since complexity of projects submission, realisation, administration and expenditures showing still remains (OS noviny.cz website, 2007).

The EC criticised the CR for a poor structure of the NSRF and too many OPs<sup>49</sup>, which has also contributed to late approval of the programming documents of the CR for the programming period 2007-2013 (see Table 17); this delay is unforgivable since all the Czech responsible authorities were aware that the new programming period started on 1<sup>st</sup> January 2007. (EU Office Česká spořitelna, 2007: 7-8)

The EC noticed that the SF coordination might be more difficult and expensive in the CR in the new programming period due to the higher number of the OPs; thus the coordination of communication activities among the MAs of all the OPs and effective use of all the financial means allocated are the major challenges in the new programming period (European Commission and Technopolis Group, 2007: 24).

Table 17: Approval of the programming documents of the CR for the programming period 2007-2013

Programming document	Date of approval by the CR	Date of approval by the EC
NDP of the CR 2007-2013	22 <sup>nd</sup> February 2006	---
NSRF of the CR 2007-2013	22 <sup>nd</sup> December 2006	27 <sup>th</sup> July 2007 (!)
24 OPs of the CR 2007-2013	15 <sup>th</sup> November 2006	12 <sup>th</sup> October 2007 - 1 <sup>st</sup> October 2008 (!)

Source: European Union Funds website, 2007b, EU Structural Funds website, 2007

Total number of the SF Programmes increased from 7 in the period 2004-2006 to 24 in the period 2007-2013 (see Table 32 and 33 in Appendix 4).

According to EU Office Česká spořitelna, a wider number of the OPs increases demands on administration since each OP has a different implementation agency (EU Office Česká spořitelna, 2006a: 8). An increased number of the OPs increases existence of synergies and overlaps not only between individual OPs but also within each OP, its Priority Axes and Areas of Intervention, which leads to wasting of resources as one specific objective is solved by mutually not interrelated instruments (EU Office Česká spořitelna, 2006b: 14-15).

Jiří Čunek, the contemporary Minister for Regional Development of the CR, warned that establishment of a complex architecture of 24 OPs requires much more administrative capacity; and thus, the system for applicants is simplified but the administrative process remains complex (Čunek, 2007).

Wide focus of the new OPs and in some cases related interventions needs a considerable coordination, cooperation and unified procedures of the implementation authorities; the ex-ante evaluators of the NSRF of the CR 2007-2013 are convinced that, "in the case of operational programmes such conditions are not created". The way ensuring complementary character between the national programmes and the EU's regional policy programmes is not sufficiently clarified. (Ministry for Regional Development of the Czech Republic, 2007d: 126-127).

Taking into account the increased number of the OPs, it can be predicted that the problem of complexity of the whole SF implementation system in the CR will intensify in the new programming period as Pěchotová *et al* mention. Considerable conflict of interest of the entities involved in the implementation system can be forecasted as well. (Pěchotová *et al*, 2007: 13)

According to Brown *et al*, the implementation system of the SF is much complicated in the new programming period; decrease in the system transparency is thus very probable. Number of the monitoring indicators has increased from 715 in 2004-2006 to 1043 in 2007-2013 (Brown *et al*, 2007: 31, 66).

Due to increased number of the OPs, Potluka *et al* predict that the whole implementation system will be even more complicated in the new programming period. The complex architecture of 24 OPs brings a considerable chance of overlaps in the planned Areas of Intervention (conflict of interest of institutions and conflict of interest of individual Areas of Intervention); institutional conflict of interest is to be seen in a low willingness of the involved entities (especially ministries) to

<sup>49</sup> The highest number when compared to other member states of a similar size.

mutually exchange information. Complicated system of 24 OPs can cause a low ability of NSRF to effectively coordinate the whole system. The new programming period is to bring a higher staff fluctuation within the implementation structure and an increased inter-institutional competition in ensuring competent and experienced personnel capacity. (Potluka *et al*, 2006: 9, 10, 11)

Berman Group points out that the weak points of the SF implementation system are not solved in the preparation for the programming period 2007-2013. Implementation system of the Programmes and projects remain almost unchanged for the new programming period. (Berman Group, 2006: 7)

#### 4.4 Documents review – analysis

This subchapter analyses, comes up with common themes and summarises the qualitative data collected in various documents and presented in subchapter 4.3 on RQs 1d, 1e, 1f, 2a, 2b, and 2c.

##### 4.4.1 RQ 1d: *What factors influence the SF successful utilisation?*

Based on information provided in subchapter 4.3.1, crucial factors influencing the SF successful utilisation can be coded and summarised as indicated in Figure 6. Figure 6 distinguishes factors on the supply side (i.e. on the relevant authorities' side) and factors on the demand side (i.e. on the FBs' side).

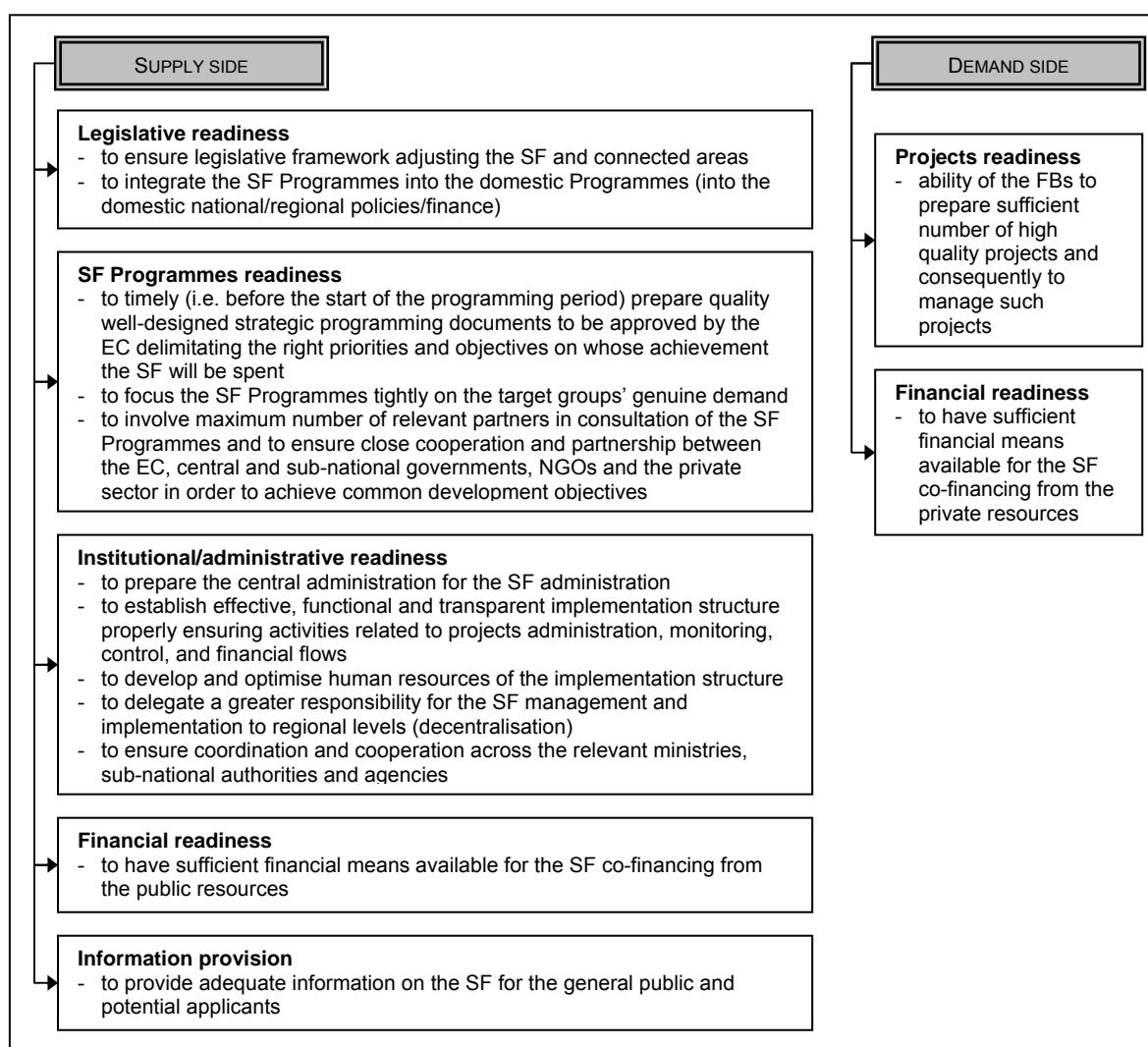


Figure 6: Factors influencing the SF successful utilisation  
Source: Author's own elaboration based on information presented in subchapter 4.3.1

The text above, thus, answered RQ 1d: *What factors influence the SF successful utilisation?*

#### 4.4.2 RQ 1e: *What are the barriers that prevent the CR from the SF successful utilisation?*

Based on information provided in subchapter 4.3.2, barriers that prevent the CR from the SF successful utilisation can be coded and summarised as indicated in Figure 7 and the text thereafter. Figure 7 distinguishes barriers on the supply side (i.e. on the relevant authorities' side), barriers on the demand side (i.e. on the FBs' side) and barriers on both the supply and demand side. In order to clarify what are the most restricting barriers, number in the square parentheses in the text thereafter indicates how many times the concrete barrier has been mentioned in various documents in subchapter 4.3.2.

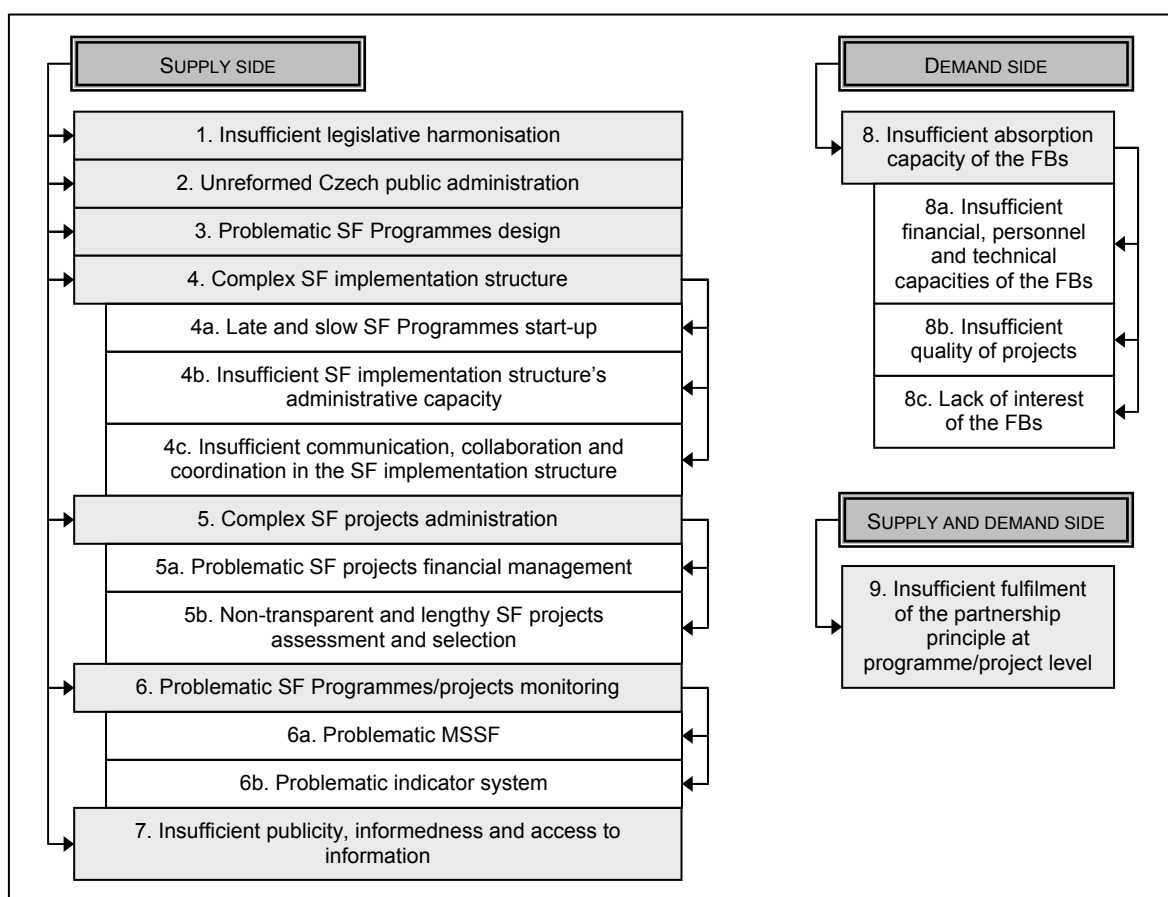


Figure 7: Barriers that prevent the CR from the SF successful utilisation

Source: Author's own elaboration based on information presented in subchapter 4.3.2

#### Barriers on the supply side (i.e. barriers on the relevant authorities' side)

##### **1. Insufficient legislative harmonisation**

- insufficient harmonisation of the Czech and European legislation and non-anchorage of certain aspects in the Czech legislation (e.g. the partnership principle) [5x];
- insufficient interconnection of the SF Programmes with the Czech (state and regional) grant programmes in terms of their objectives and funding; these programmes run in parallel, overlap and compete with each other [5x].

##### **2. Unreformed Czech public administration**

- low quality and effectiveness of the Czech public administration [3x];
- unfinished reform of the public administration (its professionalisation and modernisation) [4x];
- instability of the public administration [2x];
- delayed and slow decentralisation (establishment of regional authorities/administration) [2x];
- limited extent of regional influence on centrally oriented policymaking [1x];
- lack of communication channels and limited experience of cooperation through networks and partnership hampering the inclusion of both horizontal and vertical partners [2x].



### **3. Problematic SF Programmes design**

- low quality of the Programmes documents and strategies [1x];
- weak programming framework [1x];
- excessive commonness and vagueness of the SF Programmes (lack of specifics in the focus of their strategies and goals, overlap of Priorities and Measures) [2x];
- disharmony between the Measures formulation and financial allocation (supply) and the real development needs of subjects (demand) [2x];
- insufficient absorption capacity of the Programmes (especially in human resources sphere) [2x].

### **4. Complex SF implementation structure**

- complex implementation structure of the OPs with too many authorities involved [13x];
- insufficient competences of the MA CSF towards the MAs and non-liability of the manuals issued by the MA CSF [2x] leading to insufficient cohesion of activities of the individual MAs [2x] and heterogeneity of the SF Programmes implementation [1x];
- insufficient delimitation of competences and responsibilities of the MAs, IBs and FBs [4x];
- insufficient methodical assistance and management of the MA towards the IBs [2x];
- ignorance of outputs of evolution studies suggesting desirable changes in the SF implementation in the CR [1x].

#### *4a. Late and slow SF Programmes start-up*

- delay in the preparedness of the Czech programming documents for the period 2004-2006 (the NDP, OPs, SPDs and Programme Complements) [1x];
- delay in the first calls for proposals due to non-readiness of the implementation structure [1x];
- slow start of the SF Programmes due to inexperience of both the applicants and implementation structure [3x].

#### *4b. Insufficient SF implementation structure's administrative capacity*

- insufficient personnel capacity of the implementation structure [13x];
- high staff fluctuation resulting in instability of the implementation structure [10x];
- high professional demand placed on the staff, work complexity [4x];
- dangerous political shifts of head employees (related to high political instability of the central level) and structure's changes (establishment and disestablishment of departments) [3x];
- insufficient qualifying profile of the staff [2x] and missing staff professionalisation [1x];
- insufficient staff motivation (non-motivating education, absence of suitable career growth models) [3x];
- politisation of activities of the staff [1x];
- insufficient technical and financial provision of the implementation structure [1x].

#### *4c. Insufficient communication, collaboration and coordination in the SF implementation structure*

- lack of communication, collaboration and coordination of operational procedures within the SF implementation structure given by its complexity [9x];
- the SF Programmes design and implementation are dominated by a central public administration, which is characterised by a low inter-resort coordination and collaboration, unwillingness to communicate within and between institutions, and fight between individual ministries for competencies as each of the ministries is in charge of another political party [4x].

### **5. Complex SF projects administration**

- complex and unclear system of aid rules and formal requirements (based on the Czech legislation and the implementation structure's internal guidelines) underlying the SF projects implementation in the CR [4x];
- frequent changes in conditions and rules for applicants [6x];
- low coordination of application of some rules (e.g. eligible expenditures, aid rules, state aid) within the implementation structure [2x];
- administratively and financially demanding projects development and implementation [4x];
- bureaucratically complex formal requirements of project applications [4x];
- complex, administrative-demanding, methodically non-uniform, non-transparent and prolonged SF implementation system and project administration procedures [16x];
- process slackness (from project submission to contract conclusion) with excessive delays [3x].

#### *5a. Problematic SF projects financial management*

- complex financial flows procedures [4x];
- lengthy and administrative-demanding process of eligible expenditures reimbursement [6x];
- advance payments are not provided (with the exception of the ESF) [1x];
- most methodical materials (such as Eligible expenditures) does not have any liability [1x];
- non-existence of unified methodology concerning the interpretation of eligible expenditures [2x];
- non-existence of methodical instructions that would guide control procedures [1x].

#### *5b. Non-transparent and lengthy SF projects assessment and selection*

- non-transparent SF projects assessment and selection [8x] due to:
  - non-existing feedback on projects assessment [2x];
  - limited availability of information on: supported/unsupported projects, brief projects description, reasons for support or exclusion (including evaluators' comments), the number of points awarded (order of projects), and the amount of grant [3x];
  - unpublished internal methodical materials for projects assessment and selection [1x];
  - inconvenient, ambiguous, discriminative and volatile evaluation criteria [3x];
  - subjective projects assessment and selection [4x];
  - potential conflict of interest of evaluators and their own submitted projects [1x] and potential link of evaluators to consultancy companies preparing projects for clients [1x];
  - ability of the selection committees to change the order of the evaluated projects not reflecting the points awarded by the evaluators [1x];
  - influence of political representation on projects selection (e.g. by selecting evaluators) [2x];
- lengthy process of projects assessment and selection with excessive delays [7x];
- insufficient quality of evaluators with unlike knowledge and experience [4x];
- excessive preferring 'formal quality' of project applications to 'real quality' [2x].

### **6. Problematic SF Programmes/projects monitoring**

#### *6a. Problematic MSSF*

- ineffective, slow, user-unfriendly, non-transparent and unclear three-level monitoring system of the SF [5x];
- complicated MSSF unable to properly process and transfer data between the individual levels of the monitoring system and within the implementation structure [4x];
- insufficient structure and possibilities of electronic project applications [1x];
- errors in Benefit [1x].

#### *6b. Problematic indicator system*

- irrelevant, unrealistic, non-integrated and complicated indicators of the SF Programmes and projects [4x];
- problematic indicators configuration, their aggregation at a higher level of IS and fulfilment [2x];
- errors and uncertainties in indicator definitions [1x];
- low understanding of indicators on applicants' and evaluators' side [2x].

### **7. Insufficient publicity, informedness and access to information**

- insufficient informedness of applicants/FBs about the OPs, fields of aid and aid rules [10x];
- terminologically ambiguous, incomprehensible, unclear, incomplete, non-transparent and out-of-date information provided for applicants/FBs (especially on the internet) [6x];
- discrepancies among mutually uncoordinated information sources [2x]; inconsistency of information provided for applicants/FBs by various institutions (IBs) [2x] and inconsistency of information provided on the individual OPs' websites and on the central website [www.strukturalni-fondy.cz](http://www.strukturalni-fondy.cz) [1x];
- low access to information about decision processes/competences (unavailability of manuals, operating procedures, etc.) [1x];
- delay in publishing the individual Programmes [1x] and problems with timeliness and accuracy of information provided about calls for proposals [1x];
- insufficient acquaintance of applicants/FBs with subjects of the implementation structure [1x];
- complicated communication between applicants and the implementation structure [1x];
- insufficient and too general propagation of the Programmes [1x];
- ineffective fulfilment of Communication Plans [1x];

## Barriers on the demand side (i.e. barriers on the FBs' side)

### **8. Insufficient absorption capacity of the FBs**

#### *8a. Insufficient financial, personnel and technical capacities of the FBs*

- lack of financial sources of the FBs for full ex-ante financing and co-financing of projects [7x];
- insufficient financial, personnel and technical capacities of the small FBs (small municipalities, small NGOs, small enterprises) to develop and manage quality projects [9x];
- limited investment capacities of regions [1x];
- instability of a system of financing municipalities and towns (related to instability of public administration) influencing interest of municipalities and towns to compete for the SF aid [1x];
- low ability of the number of successful applicants to implement projects as project applications have been elaborated by consultancy entities without a close link to the project submitter [1x].

#### *8b. Insufficient quality of projects*

- low quality of projects due to inexperience of applicants (especially the small ones) [10x];
- lower ability of the Czech entities to prepare quality projects [1x];
- lack of offer of consultancy services [1x] and lack of personnel consultation with the IBs [1x];
- insufficient linkage of projects to the Priority objectives [3x] and target groups' needs [3x];
- insufficient identification of applicants with the calls for proposals [1x];
- false projects' focus as a result of applicants' effort to adapt their need to the OP's focus [2x].

#### *8c. Lack of interest of the FBs*

- low interest of the FBs in some Measures [1x], especially in the Measures where a 'competition' of the state aid is [1x], in the Measures requiring a complex approach (i.e. the ESF non-investment/soft projects) [3x] and requiring projects that are new for the CR [1x];
- insufficient target groups' demand for services in human resources development (the ESF) [1x];
- unwillingness of applicants to develop projects knowing that the amount of resources for the Measure is limited and their chance to get the SF aid is low [1x].

## Barriers on both the supply and demand side

### **9. Insufficient fulfilment of the partnership principle at programme/project level**

- this insufficiency is due to absence of legal delimitation of the partnership principle [2x].

Obviously, all the mentioned barriers are not equally significant. Table 18 summarises the most frequently mentioned barriers that prevent the CR from the SF successful utilisation (i.e. barriers mentioned at least six times in subchapter 4.3.2) *as perceived by the MAs, the EC and other authors* in various documents presented in subchapter 4.3.2. Figure 8 puts information from Table 18 under the headings of barriers of Figure 7 in order to make it clear what are the most restricting barriers to the SF successful utilisation in the CR in the shortened programming period 2004-2006 *as perceived by the MAs, the EC and other authors*.

Table 18: The most restricting barriers that prevent the CR from the SF successful utilisation *as perceived by the MAs, the EC and other authors*

<b>The most restricting barriers on the supply side (i.e. barriers on the relevant authorities' side)</b>
<ul style="list-style-type: none"><li>- complex, administrative-demanding, methodically non-uniform, non-transparent and prolonged SF implementation system and project administration procedures [16x];</li><li>- complex implementation structure of the OPs with too many authorities involved [13x];</li><li>- insufficient personnel capacity of the implementation structure [13x];</li><li>- high staff fluctuation resulting in instability of the implementation structure [10x];</li><li>- insufficient informedness of applicants/FBs about the OPs, fields of aid and aid rules [10x];</li><li>- lack of communication, collaboration and coordination of operational procedures within the SF implementation structure given by its complexity [9x];</li><li>- non-transparent and lengthy SF projects assessment and selection [8x];</li><li>- lengthy process of projects assessment and selection with excessive delays [7x];</li><li>- terminologically ambiguous, incomprehensible, unclear, incomplete, non-transparent and out-of-date information provided for applicants/FBs (especially on the internet) [6x];</li><li>- frequent changes in conditions and rules for applicants [6x];</li><li>- lengthy and administrative-demanding process of eligible expenditures reimbursement [6x].</li></ul>
<b>The most restricting barriers on the demand side (i.e. barriers on the FBs' side)</b>
<ul style="list-style-type: none"><li>- low quality of projects due to inexperience of applicants (especially the small ones) [10x];</li><li>- insufficient financial, personnel and technical capacities of the small FBs (small municipalities, small NGOs, small enterprises) to develop and manage quality projects [9x];</li><li>- lack of financial sources of the FBs for full ex-ante financing and co-financing of projects [7x].</li></ul>

Source: Author's own elaboration based on information presented in subchapter 4.3.2

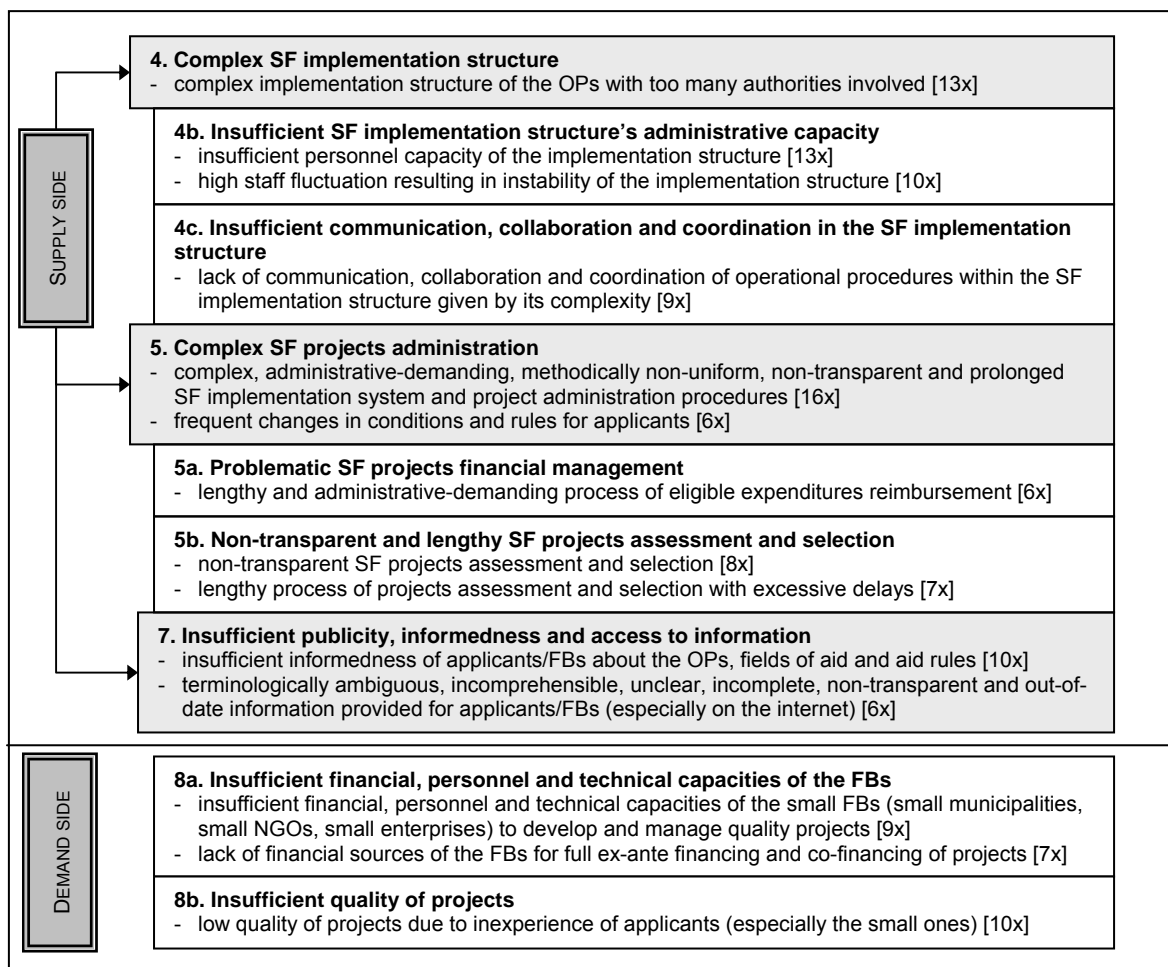


Figure 8: The most restricting barriers preventing the CR from the SF successful utilisation as perceived by the MAs, the EC and other authors

Source: Author's own elaboration based on information presented in subchapter 4.3.2

The text above, thus, contributed to answering RQ 1e: *What are the barriers that prevent the CR from the SF successful utilisation?* Subchapter 5.3.1 adds viewpoints from the FBs' perspective.

#### 4.4.3 RQ 1f: *At which level(s) ('The EU – National government', 'National government – Regional authorities', 'Institutional', 'Private') do the SF utilisation barriers originate in the CR?*

Figure 1 in subchapter 1.3 illustrates that if a member state's inner utilisation barriers are the cause of the SF utilisation problems, these barriers might originate at two levels – macro and micro, each of which is further split into two levels. Thus, there are four potential levels at which inner utilisation barriers might originate: *'The EU – National government' level*, *'National government – Regional authorities' level*, *'Institutional' level*, *'Private' level*. Based on the analysis of RQ 1e in subchapter 4.4.2 (Figure 7 respectively), answer to RQ 1f is derived thereafter and summarised in Figure 9.

##### Barriers at macro level

Figure 9 demonstrates that insufficient legislative harmonisation represents an inner utilisation barriers originating at macro *'The EU – National government' level*.

Figure 9 further illustrates that problematic SF Programmes design, unreformed Czech public administration, complex SF implementation structure (including late and slow SF Programmes start-up, insufficient SF implementation structure's administrative capacity, and insufficient communication, collaboration and coordination in the SF implementation structure), insufficient fulfilment of the partnership principle at programme level, complex SF projects administration (including problematic SF projects financial management and non-transparent and lengthy SF projects assessment and selection), problematic SF Programmes/projects monitoring (including problematic MSSF and problematic indicator system), and insufficient publicity, informedness and access to information represent inner utilisation barriers originating at macro *'National*

government – Regional authorities’ level. Thus, it can be concluded that inner utilisation barriers originate at both macro levels in the CR (*‘The EU – National government’ level* and *‘National government – Regional authorities’ level*).

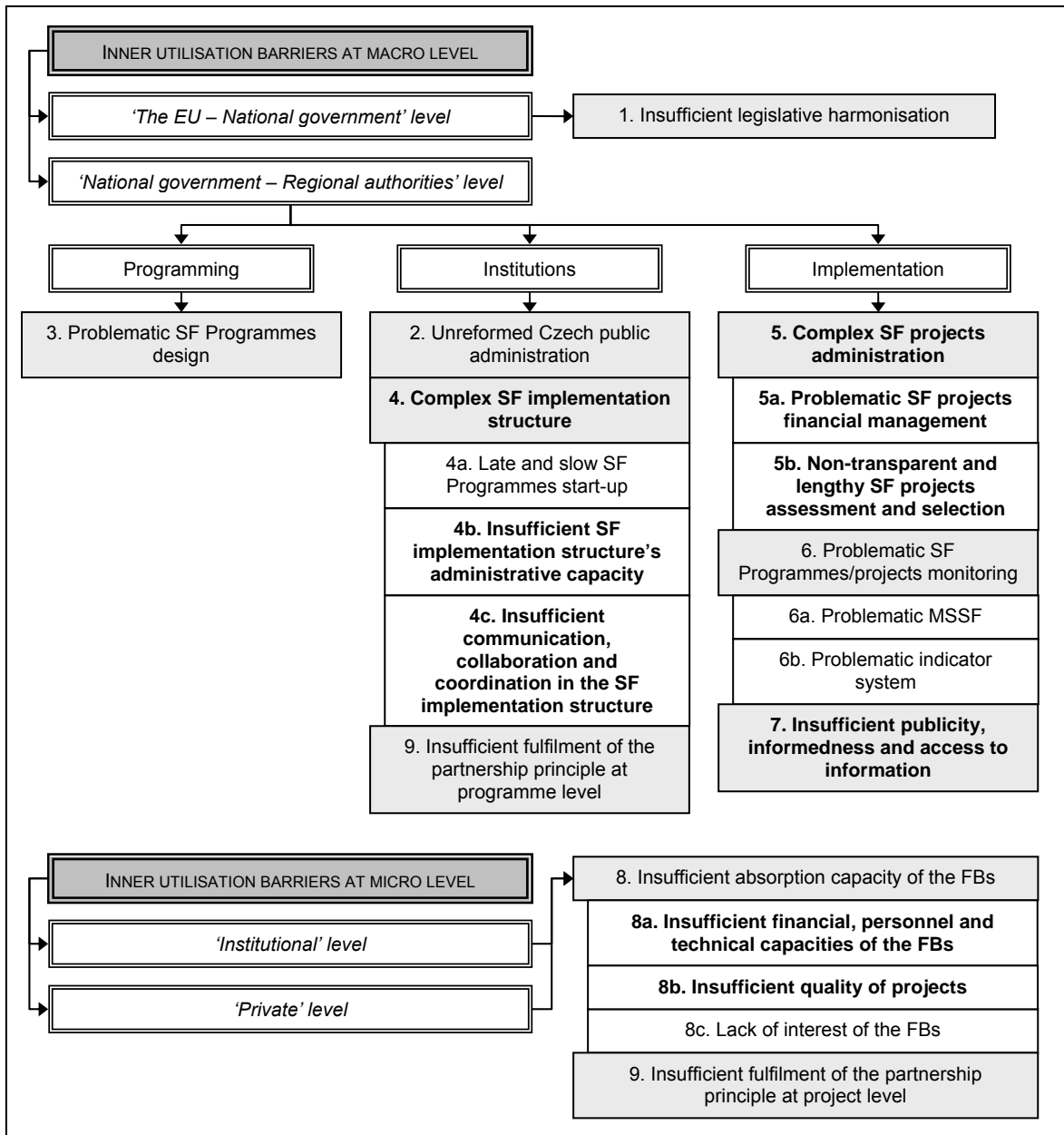


Figure 9: Origin of the inner utilisation barriers that prevent the CR from the SF successful utilisation

Source: Author’s own elaboration based on adaptation of Figure 7

Note: Barriers marked in bold represent the most restricting barriers that prevent the CR from the SF successful utilisation as perceived by the MAs, the EC and other authors and identified in Figure 8.

#### Barriers at micro level

Figure 9 shows that insufficient absorption capacity of the FBs (including insufficient financial, personnel and technical capacities of the FBs, insufficient quality of projects submitted by the FBs and lack of interest of the FBs) represents an inner utilisation barrier originating at micro level. Insufficient financial, personnel and technical capacities of the FBs is the barrier that influences the two other barriers (insufficient quality of projects and lack of interest of the FBs). Insufficient financial, personnel and technical capacities concern especially the small FBs; these insufficient capacities limit their ability to develop and manage (quality) projects and affect their interest to compete for the SF aid. The small FBs that are missing these necessary capacities arise both at *‘Institutional’ level* (small municipalities, small NGOs) and *‘Private’ level* (small enterprises). Furthermore, insufficient fulfilment of the partnership principle at project level occurs at the FBs

both at 'Institutional' level and 'Private' level. Thus, it can be concluded that inner utilisation barriers originate at both micro levels in the CR ('Institutional' level and 'Private' level).

To summarise, the CR's inner utilisation barriers causing the SF utilisation problems originate at all the four mentioned levels: 'The EU – National government' level, 'National government – Regional authorities' level, 'Institutional' level, 'Private' level. However, it has to be taken into account that all the mentioned barriers are not equally significant; the most restricting barriers to the SF successful utilisation in the CR as perceived by the MAs, the EC and other authors (see barriers in bold in Figure 9) originate mainly at the 'National government – Regional authorities' level, 'Institutional' level, and 'Private' level but not at 'The EU – National government' level.

The text above, thus, answered RQ 1f: *At which level(s) ('The EU – National government', 'National government – Regional authorities', 'Institutional', 'Private') do the SF utilisation barriers originate in the CR?*

#### 4.4.4 RQ 2a: What actions should the CR take in order to improve the SF utilisation?

Based on information provided in subchapter 4.3.3 and author's own perception, actions that the CR should take in order to improve the SF utilisation in the period 2007-2013 can be coded and summarised as indicated in Figure 10 and the text thereafter. Figure 10 (based on Figure 7) distinguishes actions that should be taken to overcome: the supply side's barriers, the demand side's barriers, and both the supply and demand side's barriers to the SF successful utilisation.

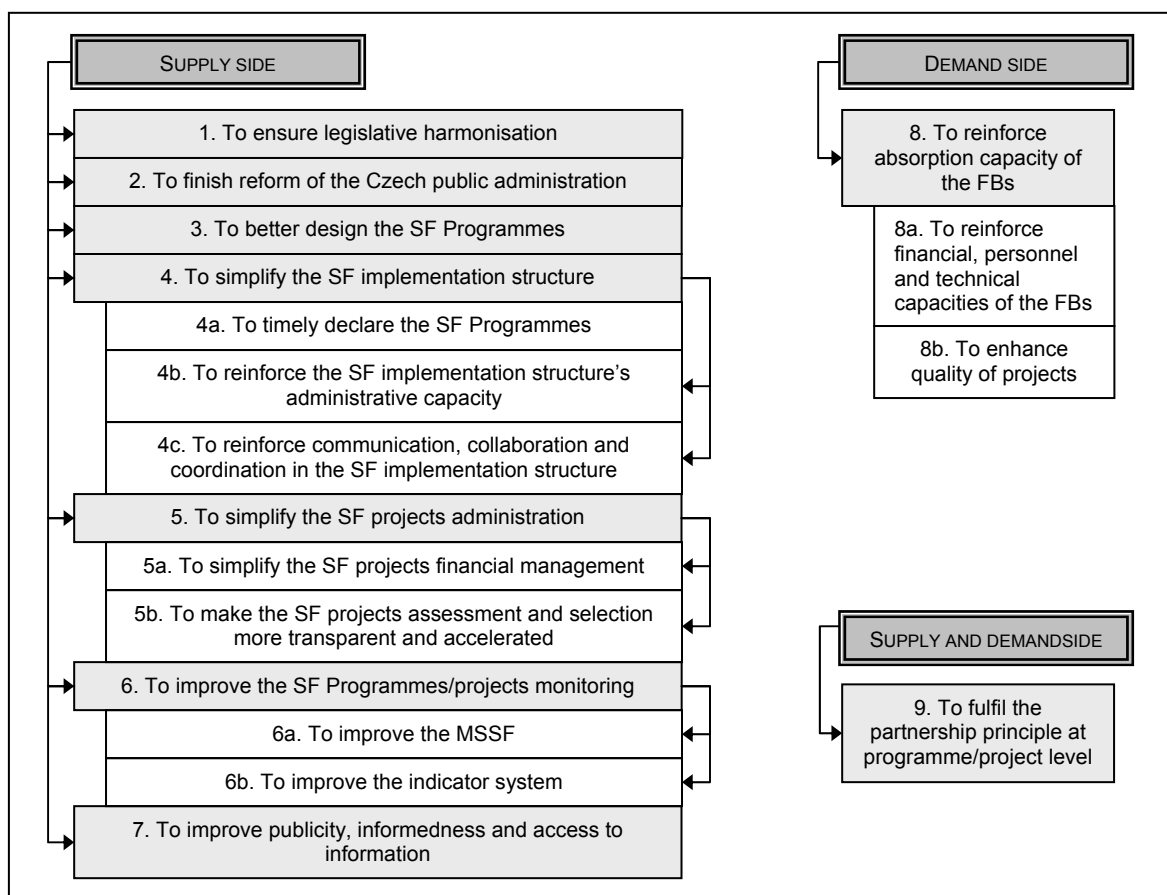


Figure 10: Actions that the CR should take in order to improve the SF utilisation  
Source: Author's own elaboration based on information presented in subchapter 4.3.3

#### Actions to be taken to overcome the supply side's barriers to the SF successful utilisation

##### 1. To ensure legislative harmonisation

- to harmonise the Czech and European legislation and to legislatively anchor aspects currently missing in the Czech legislation (e.g. the partnership principle);
- to interconnect the SF programmes with the Czech (state and regional) grant programmes in terms of their objectives and procedures of financing;

- to re-direct the existing national financial resources to funding of the SF Programmes in order to overcome the potential problem with the national co-financing ability of the SF in 2007-2013.

## **2. To finish reform of the Czech public administration**

- to provide an integrated government strategy on how to modernise and professionalize the Czech public administration;
- to change the system of financing the individual levels of the Czech public administration with the aim to enhance the possibilities of municipalities, towns and regions for a strategic planning;
- to shift the centre of gravity (stronger involvement of more local actors).

## **3. To better design the SF Programmes**

- to narrowly aim the Measures (Areas of Intervention), to make them concrete and to aim them at a narrow range of applicants (i.e. to improve quality of the Programmes documents);
- to eliminate overlap of the Priorities and Measures (Priority Axes and Areas of Intervention);
- to consider thoroughly the target groups' actual demand when developing Areas of Intervention by mutual discussion;
- to transfer local Programmes to the regions to the maximum extent;
- to enhance the Programmes absorption capacity by e.g. changing the legislative environment in the CR in order to stimulate the target groups' demand or by reallocation of resources between Measures (Areas of Intervention) so as to enable financing of quality project that would not be financed from the allocated resources otherwise.

## **4. To simplify the SF implementation structure**

- to simplify the SF implementation structure (by reducing the excessive number of the IBs);
- to reinforce the role of the main coordinator of the whole system of the OPs 2007-2013<sup>50</sup> and to reinforce liability of its manuals;
- to establish a simple transparent system of the OPs;
- to improve unified management and coordination of the Programmes (i.e. to unify the procedural rules of the MAs as much as possible);
- to unambiguously and narrowly define roles, competencies and responsibilities of all the implementation entities and to clarify the decision processes;
- to entitle the IBs to implement project from the beginning till the end as the administration roles distribution between two bodies is not effective;
- to consider the outputs of evaluation studies suggesting desirable changes in the SF implementation in the CR.

### *4a. To timely declare the SF Programmes*

- to timely prepare the CR's programming documents (before the start of the programming period) and to timely declare the SF Programmes (at the beginning of the programming period)

### *4b. To reinforce the SF implementation structure's administrative capacity*

- to reinforce the implementation structure's personnel capacity by recruiting new competent staff (especially at local and urban authorities);
- to reduce undesirable staff fluctuation by introducing a motivating system of remuneration (improved financial valuation) and introducing human resources development policies;
- to further stabilise the SF implementation structures by eliminating political shifts of head employees and structure's changes;
- to provide the MAs and IBs with sufficient financial and personnel resources for the management setting and employees' motivation;
- to introduce human resources planning and management methods;
- to establish stable, high quality and highly skilled management teams;
- to develop the implementation structure's staff competence by providing a further training and educational programmes individually set for every employee regarding his/her workload and containing general education (project and programme management, computer techniques and foreign languages courses) and specific education with respect to the employee's workload (accounting, state aid, eligible expenditures, financial management, control courses, etc.).

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<sup>50</sup> The National Coordination Authority (period 2007-2013) replaced the MA CSF (period 2004-2006).

- 4c. *To reinforce communication, collaboration and coordination in the SF implementation structure*
- to set mechanisms and conditions for a more intensive communication, collaboration and coordination within the implementation structure;
  - to set effective system of consultancies between the MRD – MAs, the MAs – IBs, the IBs – FBs;
  - to ensure effectiveness of information and communication flows by reducing the excessive number of the IBs.

#### **5. To simplify the SF projects administration**

- to set clear and understandable rules for projects implementation;
- to change Programme conditions and rules as least as possible;
- to ensure uniformity of rules (e.g. the partnership principle, eligible expenditures, aid rules, state aid) interpretation by reducing the excessive number of the IBs and by simplifying the methodical manuals;
- to make the access to the SF assistance easier (to loosen condition for the FBs);
- to simplify formal requirements and administrative complexity of projects applications (to limit a number of mandatory appendixes of project applications, to eliminate the necessity to fill in some information double, to eliminate those parts of projects applications that are not used for evidencing or assessing projects, etc.) and to unify projects applications for all the OPs;
- to simplify the administrative procedures, to reduce the administrative burden of the FBs;
- to simplify administrative complexity of projects implementation and to make it more efficient;
- to shorten activities related to projects administration and to mandatory observe the deadlines in projects administration.

#### *5a. To simplify the SF projects financial management*

- to establish an effective, efficient, simpler and transparent system of financial flows, which would be the most favourable for the FBs;
- to accelerate financial flows to the FBs (i.e. to shorten the period between the claim and eligible expenditures reimbursement) by simplifying procedures of expenditures certification and by simplifying the control of eligible expenditures and by reducing the deadlines for this control;
- to introduce a simpler financial mechanism for reimbursement for small subjects (e.g. shortened terms for reimbursement);
- to elaborate unified methodology concerning the interpretation of eligible expenditure and financial control procedures and to ensure its liability.

#### *5b. To make the SF projects assessment and selection more transparent and accelerated*

- to enhance transparency of the SF projects assessment and selection by:
  - providing maximum feedback on projects assessment (informing the applicants on assessment results and reasons for the given assessment);
  - publishing all the information on: project assessment/selection procedures and criteria, supported/unsupported projects (including a brief project description), reasons for support or exclusion (including evaluators' comments), the number of points awarded (order of projects) and the amount of grant;
  - setting precise, clear, measurable and objective criteria for projects assessment in calls for proposals and eliminating discriminative assessment criteria;
  - making projects assessment and selection more objective by standardisation and professionalisation of evaluators' attitudes (regular training and examining of evaluators);
  - eliminating conflicts of interest of evaluators by obliging the evaluators not to participate in a project preparation submitted within the same Area of Intervention, which they are also evaluating in the period of the OP implementation;
  - abolishing the selection committees' competence to change the order of evaluated projects;
  - eliminating doubts, scandals and frauds (eliminating doubts regarding: projects assessment process, departure of the original project intent from its realisation, reporting of untrue and incomplete data and information);
- to simplify formal requirements of approval process;
- to accelerate projects assessment and selection process;
- to unify project selection mechanism for all the OPs;
- to carry out a quality (and random) selection of appropriate evaluators according to some criteria (experience with projects evaluation, experience with projects implementation, etc.);
- to put a greater emphasis on project quality.



## **6. To improve the SF Programmes/projects monitoring**

### *6a. To improve the MSSF*

- to simplify and rationalise the monitoring system of the SF and to ensure its effectiveness;
- to better formulate requirements for the IS;
- to better interlink the three levels of the IS;
- to consider a simplification of the monitoring system to a two-level system (MSSF and Benefit);
- to establish a pro-active integrated management IS, which covers all necessary information and forecasts on physical and financial progress;
- to provide a sufficient structure and possibilities of electronic project applications.

### *6b. To improve the indicator system*

- to rationalise the indicator system (a clearer and simpler hierarchical structure of the indicators);
- to reduce the extensive number of indicators for the assessment of the OPs' activities;
- to set clear, comprehensible, unambiguous, accurate and quality definitions of indicators that are relevant to the OP's objectives (wrongly set indicators have a negative impact on the OP's utilisation if the given indicators are not met), and thus to increase the transparency of the monitoring mechanism and assessment of the success of the OPs.

## **7. To improve publicity, informedness and access to information**

- to improve information provision on the SF (information about the OPs, fields of aid, aid rules);
- to improve transparency and comprehensibility of information on the SF;
- to establish well-arranged and understandable information sources for applicants/FBs;
- to make the OPs documentation for applicants/FBs (brochures, manuals, other information materials) brief, understandable, well-arranged, terminologically unambiguous and interlinked;
- to keep information for applicants/FBs in a smaller number of documents;
- to enhance usage of the portal [www.strukturalni-fondy.cz](http://www.strukturalni-fondy.cz) as the central information source;
- to establish regional contact points that would provide information on all the OPs;
- to publish the key documents concerning the OPs implementation, decision processes and competences (internal methodical materials, operating manuals, and other rules), which would improve transparency of the whole implementation system;
- to set clear rules for open communication and to make the communication with the FBs faster and more flexible (by e.g. reducing the excessive number of the IBs);
- to secure adequate OPs' publicity via consistent implementation of the Communication Plans;
- to replace abstract advertisements with presentation of good practice projects.

### Actions to be taken to overcome the demand side's barriers to the SF successful utilisation

## **8. To reinforce absorption capacity of the FBs**

### *8a. To reinforce financial, personnel and technical capacities of the FBs*

- to redirect existing national financial sources to financing the EU's regional policy in the CR, and thus to overcome the problem of limited co-financing ability of some applicants;
- to replace a regressive reimbursement of projects with a phase-based projects financing when individual project phases would be reimbursed, which would remove the demand for securing the entire project financing prior to its implementation;
- to ensure financial means and programmes of assistance for small applicants;
- to reinforce the financial capacity of regions;
- to stabilise a system of financing municipalities and towns;
- to reinforce the FBs' capacities and expertise;
- to support cooperation of small and large subjects within integrated projects.

### *8b. To enhance quality of projects*

- to implement projects of improvement of consultancy service and to extend the offer of trainings for the FBs in the field of project development and management;
- to provide intensive support for applicants and project submitters (especially the small ones) during the project development in terms of: continuous consultancies on project proposals, information activities, help with documentation preparation;
- to provide good practice examples (i.e. provision of information on projects successfully implemented in the period 2004-2006);
- to include consultancy services in the eligible expenditures;
- to enable funding of preparatory services that would make project development of no experience easier;

- to establish regional contact points that would help small applicants who cannot afford expensive consultancy firms with project development and implementation.

Actions to be taken to overcome both the supply and demand side's barriers to the SF successful utilisation

**9. To fulfil the partnership principle at programme/project level**

- to legislatively anchor the partnership principle in the Czech legislation;
- to interpret the partnership principle by the implementation structure's entities uniformly;
- to fulfil the partnership principle at programme/project level<sup>51</sup>.

Figure 11 adjusts Figure 8 in such a way to present the most important actions from the outline hereinbefore that the CR should take to overcome the most restricting barriers to its SF utilisation as perceived by the MAs, the EC and other authors.

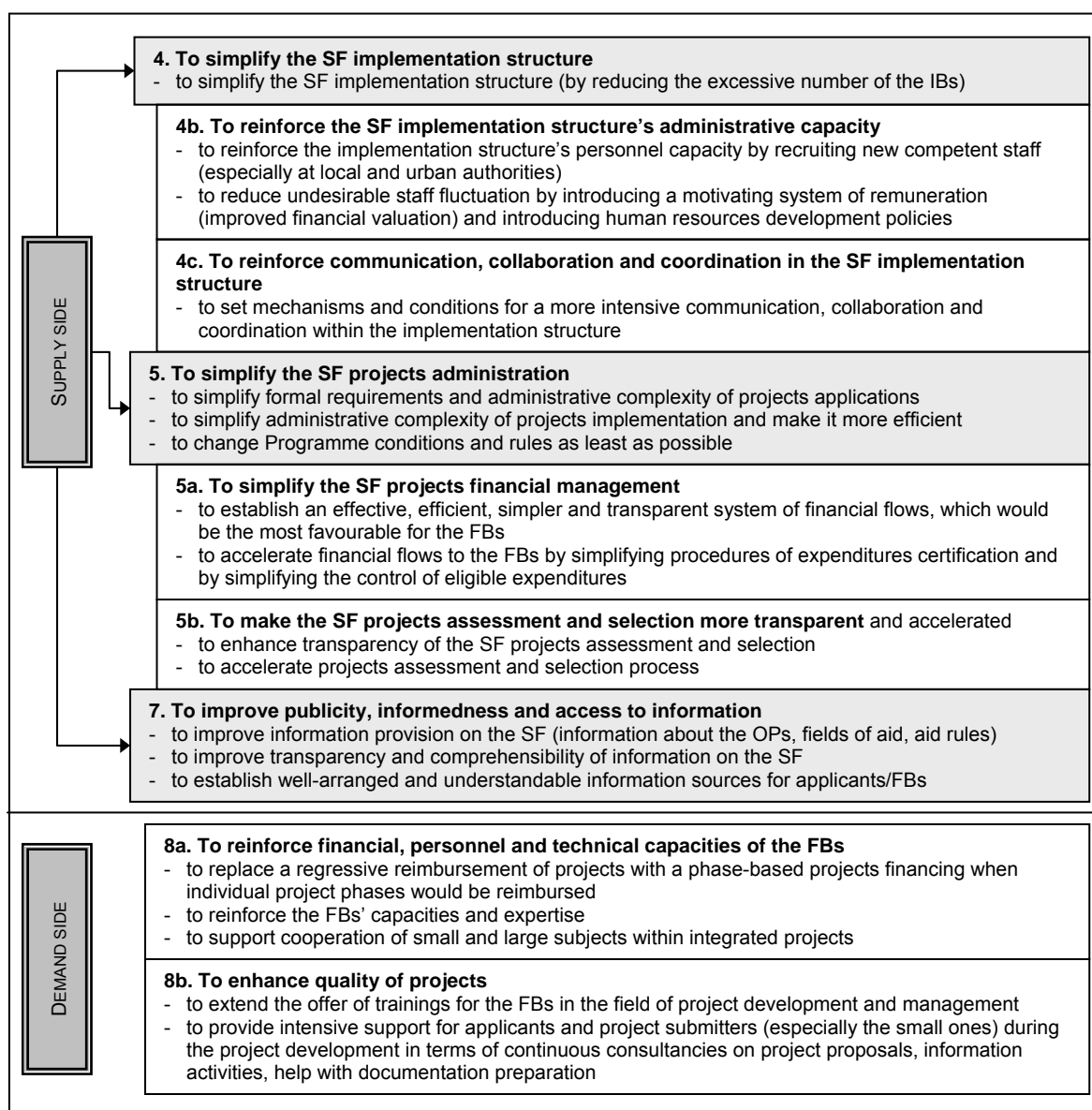


Figure 11: Actions that the CR should take to overcome the most restricting barriers to the SF utilisation as perceived by the MAs, the EC and other authors

Source: Author's own elaboration based on information presented in subchapter 4.3.3

The text above, thus, contributed to answering RQ 2a: *What actions should the CR take in order to improve the SF utilisation?* Subchapter 5.3.2 adds viewpoints from the FBs' perspective.

<sup>51</sup> For hints about how to fulfil the partnership principle at programme/project level see subchapter 2.3.

#### 4.4.5 RQ 2b: What actions (named in RQ 2a) has the CR already taken?

Subchapter 4.3.4 presents the actions (named in RQ 2a) that the CR has already taken in order to improve the SF utilisation and subchapter 4.3.5 presents the actions (named in RQ 2a) that the CR did not take in order to improve the SF utilisation in the new programming period 2007-2013 as explicitly mentioned in various documents. Figure 11 indicates the actions that the CR should take to overcome the most restricting barriers to the SF utilisation. Figure 12 evaluates what of the actions suggested in Figure 11 has the CR already taken (RQ 2b) and what of the actions suggested in Figure 11 the CR did not take (RQ 2c) in the period 2007-2013 based on information provided in subchapter 4.3.4 and subchapter 4.3.5 and author's own perception.

ACTIONS THAT SHOULD BE TAKEN	HAVE THE ACTIONS BEEN TAKEN OR NOT?
<p><b>4. To simplify the SF implementation structure</b></p> <ul style="list-style-type: none"> <li>- to simplify the SF implementation structure (by reducing the excessive number of the IBs)</li> </ul>	<ul style="list-style-type: none"> <li>- the OPs Prague and ROPs do not have any IBs; however, the number of the IBs of the thematic OPs was not significantly reduced (see Table 33 in Appendix 4)</li> </ul>
<p><b>4b. To reinforce the SF implementation structure's administrative capacity</b></p> <ul style="list-style-type: none"> <li>- to reinforce the implementation structure's personnel capacity by recruiting new competent staff (especially at local and urban authorities)</li> <li>- to reduce undesirable staff fluctuation by introducing a motivating system of remuneration (improved financial valuation) and introducing human resources development policies</li> </ul>	<ul style="list-style-type: none"> <li>- reinforcement of the administrative capacity is treated in the OP TA and in the technical assistance budgets of the OPs 2007-2013; the possibility of hiring the staff for a definite term and covering staff costs from the technical assistance budgets enables to secure sufficient administrative capacity; however, complex architecture of 24 OPs will require much more implementation structure's staff</li> <li>- the Czech government adopted material on how to establish a system of management, development, stabilisation and motivation of the implementation structure's staff to be implemented via the OP TA and technical assistance budgets of the OPs 2007-2013</li> </ul>
<p><b>4c. To reinforce communication, collaboration and coordination in the SF implementation structure</b></p> <ul style="list-style-type: none"> <li>- to set mechanisms and conditions for a more intensive communication, collaboration and coordination within the implementation structure</li> </ul>	<ul style="list-style-type: none"> <li>- the OP TA is to support coordination of activities within the SF implementation structure in the period 2007-2013; however, due to the complex architecture of 24 OPs, the SF coordination might be more difficult and expensive in the period 2007-2013 and institutional conflict of interest might be seen in a low willingness of the involved entities (especially ministries) to mutually exchange information</li> </ul>
<p><b>5. To simplify the SF projects administration</b></p> <ul style="list-style-type: none"> <li>- to simplify formal requirements and administrative complexity of projects applications</li> <li>- to simplify administrative complexity of projects implementation and make it more efficient</li> <li>- to change Programme conditions and rules as least as possible</li> </ul>	<ul style="list-style-type: none"> <li>- there is no attempt to simplify and to make the SF implementation more effective since complexity of projects submission, realisation and administration still remains; the SF implementation system is much more complicated; system for applicants is simplified via launching a unified electronic project application but the administrative process remains complex</li> <li>- changes in the OPs conditions and rules still occur in the new programming period 2007-2013</li> </ul>
<p><b>5a. To simplify the SF projects financial management</b></p> <ul style="list-style-type: none"> <li>- to establish an effective, efficient, simpler and transparent system of financial flows, which would be the most favourable for the FBs</li> <li>- to accelerate financial flows to the FBs by simplifying procedures of expenditures certification and by simplifying the control of eligible expenditures</li> </ul>	<ul style="list-style-type: none"> <li>- some significant improvements have been introduced for the period 2007-2013; however, further simplification are still required</li> <li>- in the period 2007-2013 the SF means are integrated into the state budget - the SF means are pre-financed to the FBs from the state budget, the Paying Authority subsequently transfers the SF means to the state budget, which accelerates the financial administration and financial flows; however, complexity of expenditures showing still remains in the period 2007-2013</li> </ul>
<p><b>5b. To make the SF projects assessment and selection more transparent and accelerated</b></p> <ul style="list-style-type: none"> <li>- to enhance transparency of the SF projects assessment and selection</li> <li>- to accelerate projects assessment and selection process</li> </ul>	<ul style="list-style-type: none"> <li>- majority of the issues of non-transparency of projects assessment and selection has been removed in the period 2007-2013; however, publishing of information on: supported/unsupported projects, reasons for support or exclusion, the number of points awarded (order of projects) and the amount of grant, is still insufficient</li> <li>- slackness of the projects assessment and selection still remain</li> </ul>

<p><b>7. To improve publicity, informedness and access to information</b></p> <ul style="list-style-type: none"> <li>- to improve information provision on the SF (information about the OPs, fields of aid, aid rules)</li> <li>- to improve transparency and comprehensibility of information on the SF</li> <li>- to establish well-arranged and understandable information sources for applicants/FBs</li> </ul>	<ul style="list-style-type: none"> <li>- the MRD launched an extensive informative campaign – it is conducting seminars and advertising the OPs in the regional and national media; however, participation by the media in the OPs awareness enhancement is still considered to be low in general</li> <li>- in the period 2007-2013 the OP TA is to ensure: coordination of all the activities related to ensuring the spreading of timely, complete and accurate information on the OPs; creation and implementation of the unified system of informing the general public about the OPs; provision of information and promotional activities; elaboration of methodical technical-information materials; creation of network in the communication area</li> <li>- each MA is further committed to fulfil the Communication Plan (and indicators set in it) as the main means of information provision to subjects and the general public</li> </ul>
<p><b>8a. To reinforce financial, personnel and technical capacities of the FBs</b></p> <ul style="list-style-type: none"> <li>- to replace a regressive reimbursement of projects with a phase-based projects financing when individual project phases would be reimbursed</li> <li>- to reinforce the FBs' capacities and expertise</li> <li>- to support cooperation of small and large subjects within integrated projects</li> </ul>	<ul style="list-style-type: none"> <li>- each MA can decide on either ex-post payments to the FBs (regressive, eventually phase-based, reimbursement of the eligible expenditures) or ex-ante payments to the FBs (payments to the FBs prior to the start of the project)</li> <li>- in the period 2007-2013 the OP TA and technical assistance budgets of the OPs are to provide expert specific trainings of the FBs to reinforce their expertise</li> <li>- small subjects can be involved in integrated projects, integrating small and large subjects, as partners of such projects</li> </ul>
<p><b>8b. To enhance quality of projects</b></p> <ul style="list-style-type: none"> <li>- to extend the offer of trainings for the FBs in the field of project development and management</li> <li>- to provide intensive support for applicants and project submitters (especially the small ones) during the project development in terms of consultancies on project proposals, information activities, help with documentation preparation</li> </ul>	<ul style="list-style-type: none"> <li>- in the period 2007-2013 the OP TA and technical assistance budgets of the OPs are to provide for the FBs: expert specific trainings, methodical and expert consultancy activities, methodical as well as direct support with projects development, partnership strengthening via experience exchange at workshops/seminars/conferences etc.</li> <li>- furthermore, each MA is represented in the network of regional contact points in order to help potential applicants in the regions with projects development</li> </ul>

Figure 12: Actions that the CR should take to overcome the most restricting barriers to the SF utilisation and evaluation whether the CR has taken these actions or not  
Source: Author's own elaboration based on information presented in subchapter 4.3.4 and subchapter 4.3.5

The text above, thus, answered RQ 2b: *What actions (named in RQ 2a) has the CR already taken?*

#### 4.4.6 RQ 2c: *What actions (named in RQ 2a) did the CR not take?*

Figure 12, thus, answered RQ 2c: *What actions (named in RQ 2a) did the CR not take?*

### 4.5 Hypotheses analysis

Table 19 analyses the hypotheses of inner causes of the CR's utilisation problems, formulated in Table 3, based on the outcomes of the first data collection phase (documents review).

Table 19: Hypotheses analysis based on the outcomes of the first data collection phase

Hypotheses related to barriers at macro level	Outcomes of the first data collection phase	
	Confirmation or rejection of the hypothesis	See barrier (in subchapter 4.4.2)
Hypothesis 1: <i>Insufficient communication and cooperation between the Czech government and the regional authorities in the SF Programmes preparation is one of the CR's inner causes of the SF utilisation problems.</i>	Limited extent of regional influence on centrally oriented policymaking [1x] was mentioned just once in documents review ⇒ <u>Hypothesis is rejected</u>	2. Unreformed Czech public administration

<p><b>Hypothesis 2:</b> <i>Insufficient involvement of relevant parties in the SF Programmes preparation is one of the CR's inner causes of the SF utilisation problems.</i></p>	<p>Insufficient fulfilment of the partnership principle at programme level [2x] due to lack of communication channels and limited experience of cooperation through networks and partnership hampering the inclusion of both horizontal and vertical partners [2x]; this insufficient involvement of the relevant parties in the OPs preparation contributes to disharmony between the Measures formulation and financial allocation (supply) and the real development needs of subjects (demand) [2x]. ⇒ <u>Hypothesis is partially confirmed</u> (these barriers were mentioned just twice)</p>	9. Insufficient fulfilment of the partnership principle at programme level
		2. Unreformed Czech public administration
		3. Problematic SF Programmes design
<p><b>Hypotheses related to barriers at micro level</b></p>	<b>Outcomes of the first data collection phase</b>	
	<b>Confirmation or rejection of the hypothesis</b>	See barrier (in subchapter 4.4.2)
<p><b>Hypothesis 3:</b> <i>Complexity of administrative procedures is one of the CR's inner causes of the SF utilisation problems.</i></p>	<p>Complex, administrative-demanding, methodically non-uniform, non-transparent and prolonged SF implementation system and project administration procedures [16x] rank among the most restricting barriers (see Figure 8). ⇒ <u>Hypothesis is confirmed</u></p>	5. Complex SF projects administration
<p><b>Hypothesis 4:</b> <i>Co-financing difficulties of the FBs is one of the CR's inner causes of the SF utilisation problems.</i></p>	<p>Lack of financial sources of the FBs for full ex-ante financing and co-financing of projects [7x] ranks among the most restricting barriers (see Figure 8). ⇒ <u>Hypothesis is confirmed</u></p>	8a. Insufficient financial, personnel and technical capacities of the FBs
<p><b>Hypothesis 5:</b> <i>Lack of capacities of the FBs to prepare quality projects is one of the CR's inner causes of the SF utilisation problems.</i></p>	<p>Insufficient financial, personnel and technical capacities of the small FBs (small municipalities, small NGOs, small enterprises) to develop and manage projects [9x] and low quality of projects due to inexperience of applicants especially the small ones [10x] rank among the most restricting barriers (see Figure 8). ⇒ <u>Hypothesis is partially confirmed</u> (hypothesis holds to small FBs in particular)</p>	8a. Insufficient financial, personnel and technical capacities of the FBs
		8b. Insufficient quality of projects
<p><b>Hypothesis 6:</b> <i>Lack of information of the FBs is one of the CR's inner causes of the SF utilisation problems.</i></p>	<p>Insufficient informedness of applicants/FBs about the OPs, fields of aid and aid rules [10x] ranks among the most restricting barriers (see Figure 8). ⇒ <u>Hypothesis is confirmed</u></p>	7. Insufficient publicity, informedness and access to information
<p><b>Hypothesis 7:</b> <i>Lack of transparency in projects selection is one of the CR's inner causes of the SF utilisation problems.</i></p>	<p>Non-transparent and lengthy projects assessment and selection [8x] ranks among the most restricting barriers (see Figure 8). ⇒ <u>Hypothesis is confirmed</u></p>	5b. Non-transparent and lengthy SF projects assessment and selection

Source: Author's own elaboration based on information presented in subchapter 4.3.2 and analysed in 4.4.2

These hypotheses are further analysed in subchapter 5.4 based on the outcomes of the second data collection phase (interviews).

#### 4.6 Rationalisation of the partnership principle as selected theory

This subchapter rationalises relevance of the selected theory – the partnership principle, which is provided in subchapter 2.3. As Research framework (see Figure 2) shows, the relevant theory is to be chosen after the completion of the first data collection phase – documents review.

The partnership principle is a fundamental principle of the EU's regional policy, which is, however, not legislatively anchored in the Czech legislation in the shortened programming period 2004-2006. This legislative non-anchorage leads to insufficient fulfilment of the partnership principle at both programme and project level in the mentioned period, and thus creates an inner utilisation barrier at both macro and micro level (see Figure 9).

The CR is, in the same way as other EU-10 member states, implementing the partnership principle for the first time in the period 2004-2006. The CR has a tradition of highly centralised government; newly established regional authorities are weak and disadvantaged in working with much more experienced central ministries and sectoral organisation counterparts. The CR has attempted, "to involve sub-national levels, but the actual influence on centralised and sectorally oriented policymaking appears to have been limited. [...] The lack of communication structures and channels, and limited experience of cooperation through networks and partnership structures hampered the inclusion of horizontal and vertical partners." (European Commission, 2008: 7-8, 48) As already stated, the Monitoring Committee is a ground for formalisation of partnership. The Monitoring Committees in the CR, however, tend to be highly formal, political, administrative and time-consuming in principle. Interest groups representatives' role is limited to administrative activity instead of defending interests of represented groups. (Šumpíková, 2005: 12)

The partnership is not well-embedded in domestic policy structures in the CR; there is a scope for considerable improvements in inclusiveness of partnership. An extensive application of the partnership principle can overcome many of the discovered barriers that prevent the CR from the SF successful utilisation presented in subchapter 4.4.2 and Figure 7 respectively. For this reason, the partnership principle has been selected as the relevant theory suiting this research project. Figure 13 presents those barriers from Figure 7 that can be overcome by an extensive application of the partnership principle in the CR.

BARRIER	SOLUTION: AN EXTENSIVE APPLICATION OF THE PARTNERSHIP PRINCIPLE
1. Insufficient legislative harmonisation	<i>The partnership principle has to be legislatively anchor in Act no. 248/2000 on support for regional development and Act 137/2006 on public orders.</i>
2. Unreformed Czech public administration	The partnership principle helps to secure the relevance of the SF co-financed projects and their connection to national and EU policy issues.
3. Problematic SF Programmes design	The partnership principle: replaces top down and distant decision-making with locally owned solutions, shifts the centre of gravity (stronger involvement of more local actors), helps democratise and modernise policy processes at the national and sub-national level, increases expression of the principle of subsidiarity, compensates for institutional inertia with innovation and flexibility.
4b. Insufficient SF implementation structure's administrative capacity	The partnership principle improves effectiveness of the Programmes development and enhances quality of the Programmes and the Programmes fitness for purpose (given the context and nature of operations) by involving a wider set of organisations in the Programmes decision-making. The partners have a key role in defining objectives of the SF interventions. The partnership principle brings better absorption of the SF.
4c. Insufficient communication, collaboration and coordination in the SF implementation structure	The partnership principle contributes to the development of institutional capacity at different levels (local, regional and national).
5. Complex SF projects administration	The partnership principle: brings a greater inter-institutional coordination and communication at the national level, enhances institutional networking and cooperation between national and regional authorities, and improves coordination and cooperation across organisational boundaries.
5b. Non-transparent and lengthy SF projects assessment and selection	The partnership principle improves the implementation procedures of public administrations responsible for the SF and enhances effectiveness, efficiency, legitimacy and transparency at all stages of the SF implementation. Furthermore, partners have a key role in highlighting problems and implementation issues and in persuading public authorities to simplify administrative procedures.
7. Insufficient publicity, informedness and access to information	The partnership principle raises transparency, efficiency and effectiveness of project selection and helps secure the relevance of the SF co-financed projects.
8a. Insufficient financial, personnel and technical capacities of the FBs	The partnership principle: brings dissemination of information to potential project promoters, provides a network for information exchange, and enables a better involvement of civil society.
8b. Insufficient quality of projects	The partnership principle overcomes limited financial capacities of the FBs by supporting the cooperation between small entities (NGOs) and bigger entities within integrated projects (participation in public-private partnerships).
8c. Lack of interest of the FBs	The partnership principle helps to secure a better quality of projects and provides a network for sharing of best practice.
9. Insufficient fulfilment of the partnership principle at programme/project level	The partnership principle leads to a greater commitment and ownership of the Programmes outputs, and hence to a direct interest in the success of the Programmes. It also increases the Programmes acceptability and participant identification with the SF.
	<i>The partnership principle has to be fulfilled at programme/project level by its legal delimitation and uniform interpretation within the whole SF implementation structure.</i>

Figure 13: Barriers preventing the CR from the SF successful utilisation that can be overcome by an extensive application of the partnership principle

Source: Author's own elaboration based on information presented in subchapter 2.3 and subchapter 4.4.2

## 4.7 Conclusion

Chapter 4 dealt with the first data collection phase – documents review. Subchapter 4.2 provided basic information on the EU's regional policy implementation in the CR in the period 2004-2006; and thus, answered RQ 1b: *What does the EU's regional policy look like in the CR?* and RQ 1c: *What is the current situation of the SF utilisation in the CR in comparison with other new EU member states?*

Subchapter 4.3 presented information found in various documents on RQs 1d, 1e, 2a, 2b, and 2c.

Subchapter 4.4 analysed, came up with common themes and summarised the qualitative data collected in various documents and presented in subchapter 4.3; and thus, answered RQ 1d: *What factors influence the SF successful utilisation?*, RQ 1f: *At which level(s) ('The EU – National government', 'National government – Regional authorities', 'Institutional', 'Private') do the SF utilisation barriers originate in the CR?*, RQ 2b: *What actions (named in RQ 2a) has the CR already taken?* and RQ 2c: *What actions (named in RQ 2a) did the CR not take?* and contributed to answering RQ 1e: *What are the barriers that prevent the CR from the SF successful utilisation?* and RQ 2a: *What actions should the CR take in order to improve the SF utilisation?*

Subchapter 4.5 analysed the seven hypotheses of inner causes of the CR's utilisation problems based on the outcomes of documents review and subchapter 4.6 rationalised relevance of the selected theory – the partnership principle.

The following chapter presents and analyses data on RQ 1e and 2a obtained via interviews – the second data collection phase.

## 5. Interviews

### 5.1 Introduction

Interviews constitute the second data collection phase of a qualitative kind. As already mentioned in subchapter 3.3, the aim of interviews is to contribute, together with documents review, to answering two RQs (1e, 2a). Interviews supplement information found in documents review.

Subchapter 5.2 presents the information found via interviews on RQs 1e and 2a. Subchapter 5.3 analyses this information in order to come up with common themes and to summarise information presented in subchapter 5.2. Subchapters are subdivided according to the RQs.

Subchapter 5.4 analyses the seven hypotheses of inner causes of the CR's utilisation problems, formulated in Table 3, based on the outcomes of the second data collection phase (interviews).

### 5.2 Interviews – results

This subchapter presents information on RQs 1e and 2a as explicitly stated in the six interviews.

The following table provides basic information on the six entities that participated in the interview.

Table 20: Entities participating in the interview

No.	Entity	Size	Sector	Cohesion Region (NUTS II)	Implemented project from
1.	Municipality 1	< 6 000 inhabitants	-	Central Moravia	OP HRD
2.	Municipality 2	< 6 000 inhabitants	-	Moravia-Silesia	OP HRD
3.	Enterprise 1	8 employees	Education, consultancy	Prague	SPD 3
4.	Enterprise 2	50 employees	Building administration	Northwest	OP HRD
5.	NGO 1	1 employee	Professional association	Prague	SPD 3
6.	NGO 2	7 employees	Volunteer programmes	Central Bohemia	OP HRD

Source: Author's own elaboration based on information provided by the interviewed entities

Note: The names of the interviewed entities and interviewed persons will not be mentioned in this thesis in order to ensure confidentiality.

#### 5.2.1 RQ 1e: What are the barriers that prevent the CR from the SF successful utilisation?

##### Municipality 1

*The greatest difficulty faced by this municipality during project development:* administratively complex project application elaboration.

*The greatest difficulties faced by this municipality during project implementation:* administratively complex project implementation (lengthy administrative process from project application submission to final eligible expenditures reimbursement, unnecessary administrative burdening of applicants), which cannot be managed by mayors of small municipalities; complicated co-financing provision; slow and administratively complex process of eligible expenditures reimbursement.

*The most restricting barrier preventing the CR from the SF successful utilisation (according to this municipality):* complex SF projects administration.

*Other restricting barriers preventing the CR from the SF successful utilisation (according to this municipality):* complex SF implementation structure involving too many IBs; insufficient SF implementation structure's administrative capacity; lengthy and administrative-demanding process of eligible expenditures reimbursement; non-transparent SF projects assessment and selection; irrelevant, unrealistic and complicated indicators of the SF Programmes and projects; insufficient financial capacities of small applicants to develop and manage quality projects.

##### Municipality 2

*The greatest difficulty faced by this municipality during project development:* slow approval of project application.

*The greatest difficulties faced by this municipality during project implementation:* bureaucratically demanding project implementation and eligible expenditures reimbursement; very frequent changes in rules for applicants happening during project implementation; unclear instructions provided for the applicant; slow eligible expenditures reimbursement; shortage of money for co-financing.



*The most restricting barriers preventing the CR from the SF successful utilisation (according to this municipality):* unreformed Czech public administration; insufficient communication and cooperation between the Czech government and the regional authorities in the SF Programmes preparation; insufficient involvement of relevant parties in the SF Programmes preparation; complex SF implementation structure involving too many IBs; late and slow SF Programmes start-up; insufficient SF implementation structure's administrative capacity; complex SF projects administration; lengthy and administrative-demanding process of eligible expenditures reimbursement; insufficient informedness of applicants about the SF Programmes, fields of aid and aid rules.

*Other restricting barriers preventing the CR from the SF successful utilisation (according to this municipality):* irrelevant, unrealistic and complicated indicators of the SF Programmes and projects; insufficient financial capacities of small applicants to develop and manage quality projects; insufficient personnel and technical capacities of small applicants to develop and manage quality projects.

#### Enterprise 1

*The greatest difficulty faced by this enterprise during project development:* administrative-demanding project application elaboration.

*The greatest difficulties faced by this enterprise during project implementation:* administrative-demanding project implementation and eligible expenditures reimbursement; problems with project co-financing provision; delayed payments; poor information provision for the applicant (the current state favours entities that have an easier access to needed information than the general public); often changes in conditions for applicants and non-informing about them.

*The most restricting barriers preventing the CR from the SF successful utilisation (according to this enterprise):* complex SF implementation structure involving too many IBs; late and slow SF Programmes start-up; complex SF projects administration; lengthy and administrative-demanding process of eligible expenditures reimbursement; irrelevant, unrealistic and complicated indicators of the SF Programmes and projects.

*Other restricting barriers preventing the CR from the SF successful utilisation (according to this enterprise):* unreformed Czech public administration; non-specific focus and low-quality design of the SF Programmes; insufficient involvement of relevant parties in the SF Programmes preparation; insufficient SF implementation structure's administrative capacity; ineffective, user-unfriendly and non-transparent monitoring system of the SF; insufficient informedness of applicants about the SF Programmes, fields of aid and aid rules; insufficient financial capacities of small applicants to develop and manage quality projects.

#### Enterprise 2

*The greatest difficulty faced by this enterprise during project development:* administrative- and time-demanding project application elaboration.

*The greatest difficulties faced by this enterprise during project implementation:* administrative- and time-demanding project implementation discouraging potential applicants; frequent changes in conditions and rules for applicants during the run; administratively lengthy process of eligible expenditures reimbursement and related difficulties with project co-financing provision.

*The most restricting barriers preventing the CR from the SF successful utilisation (according to this enterprise):* unreformed Czech public administration; late and slow SF Programmes start-up; complex SF projects administration; lengthy and administrative-demanding process of eligible expenditures reimbursement; ineffective, user-unfriendly and non-transparent monitoring system of the SF; irrelevant, unrealistic and complicated indicators of the SF Programmes and projects; insufficient financial capacities of small applicants to develop and manage quality projects; insufficient personnel and technical capacities of small applicants to develop and manage quality projects.

*Other restricting barriers preventing the CR from the SF successful utilisation (according to this enterprise):* insufficient involvement of relevant parties in the SF Programmes preparation; complex SF implementation structure involving too many IBs; insufficient SF implementation structure's administrative capacity.

#### NGO 1

*The greatest difficulties faced by this NGO during project development:* complex bureaucracy related to project application elaboration; lengthy approval of project application.

*The greatest difficulties faced by this NGO during project implementation:* complex bureaucracy related to project implementation; problems with project co-financing; administratively complex eligible expenditures showing and reimbursement; unclear and non-uniform information provided for the applicant together with non-informing about changes in rules and conditions for applicants even though applicants have to follow those rules.

*The most restricting barriers preventing the CR from the SF successful utilisation (according to this NGO):* complex SF implementation structure involving too many IBs; non-transparent SF projects assessment and selection; irrelevant, unrealistic and complicated indicators of the SF Programmes and projects.

*Other restricting barriers preventing the CR from the SF successful utilisation (according to this NGO):* non-specific focus and low-quality design of the SF Programmes; late and slow SF Programmes start-up; insufficient SF implementation structure's administrative capacity; complex SF projects administration; lengthy and administrative-demanding process of eligible expenditures reimbursement; insufficient informedness of applicants about the SF Programmes, fields of aid and aid rules; insufficient financial capacities of small applicants to develop and manage quality projects; insufficient personnel and technical capacities of small applicants to develop and manage quality projects (NGO does not have a chance to compete for the SF aid beside agencies that elaborate projects for their clients).

## NGO 2

*The greatest difficulty faced by this NGO during project development:* bureaucratically complicated elaboration of project application.

*The greatest difficulties faced by this NGO during project implementation:* administratively complicated project implementation; lack of money for ensuring project co-financing accompanied with slow and administratively complex eligible expenditures reimbursement; frequent modification in conditions for application for the SF aid, insufficient information provided for the applicant.

*The most restricting barriers preventing the CR from the SF successful utilisation (according to this NGO):* late and slow SF Programmes start-up; complex SF projects administration; insufficient informedness of applicants about the SF Programmes, fields of aid and aid rules.

*Other restricting barriers preventing the CR from the SF successful utilisation (according to this NGO):* complex SF implementation structure involving too many IBs; insufficient SF implementation structure's administrative capacity; lengthy and administrative-demanding process of eligible expenditures reimbursement; irrelevant, unrealistic and complicated indicators of the SF Programmes and projects; insufficient financial capacities of small applicants to develop and manage quality projects.

### **5.2.2 RQ 2a: What actions should the CR take in order to improve the SF utilisation?**

#### Municipality 1

This municipality suggests the following: to remove the needless bureaucracy accompanying project development and implementation; to accelerate and simplify process of eligible expenditures reimbursement; to recruit officials for financial control and eligible expenditures utilisation that have a practical experience with accounting.

#### Municipality 2

This municipality suggests the following: to simplify the whole administrative process (project application – project implementation – project control); to accelerate project application approval; to unify the SF Programmes; to set clear and unchanging rules; to recruit a sufficient number of competent implementation structure's staff and to improve competence of the MA's and IB's staff; to simplify indicators.

#### Enterprise 1

This enterprise suggests the following: to set clear, uniform and non-discouraging rules for aid provision from the SF, for project development, and for expenditures showing; not to change the rules during project implementation; not to complicate the already complex process of project development and implementation (conditions and criteria of project assessment, selection and implementation are getting complicated due to the CR's implementation structure not due to the EU); to improve information provision for applicants (good access to all information on one portal).

## Enterprise 2

This enterprise suggests the following: to significantly simplify the administration related to project development and implementation; to accelerate the system of eligible expenditures reimbursement; to put a stronger emphasis on factual project fulfilment than on administrative requirements fulfilment; to set clear rules that will not be changed during project implementation.

## NGO 1

This NGO suggests the following: to simplify and shorten the initial forms and to reduce the number of appendices; to remove duplicity in data showing; to improve information provision for applicants; to mutually coordinate the SF Programmes; to timely inform about the changes in rules and conditions.

## NGO 2

This NGO suggests the following: to simplify the administrativeness associated with project development and implementation; to orientate more on project objective achievement (orientation on result) than on administrative procedures; to ensure fluent utilisation of the financial means since small entities cannot take a bridge credit.

All the six interviewed entities see introduction of phase-based financing of the SF projects as a solution to difficulties with project co-financing provision.

### 5.3 Interviews – analysis

This subchapter analyses, comes up with common themes and summarises the qualitative data collected on RQs 1e and 2a via the six interviews and presented in subchapter 5.2.

#### 5.3.1 RQ 1e: *What are the barriers that prevent the CR from the SF successful utilisation?*

Based on information provided in subchapter 5.2, barriers that prevent the CR from the SF successful utilisation as perceived by the small FBs (interviewed entities) can be coded and summarised as indicated in Table 21.

Table 21: Barriers preventing the CR from the SF successful utilisation as perceived by the small FBs

No.	Barriers preventing the CR from the SF successful utilisation	Significance of the barrier as perceived by the interviewed entities		
1.	Complex SF projects administration	The most restricting barrier	5x	M1, M2, E1, E2, N2
		Restricting barrier	1x	N1
1a.	<i>Administrative-demanding project application elaboration</i>		6x	M1, M2, E1, E2, N1, N2
1b.	<i>Administrative-demanding project implementation</i>		6x	M1, M2, E1, E2, N1, N2
1c.	<i>Complex and unclear system of aid rules and formal requirements underlying the SF projects implementation in the CR</i>		3x	M2, E1, E2
1d.	<i>Frequent changes in conditions and rules for applicants (and non-informing about them)</i>		5x	M2, E1, E2, N1, N2
2.	Complex implementation structure of the OPs with too many authorities involved	The most restricting barrier	3x	M2, E1, N1
		Restricting barrier	3x	M1, E2, N2
2a.	<i>Heterogeneity of the SF Programmes implementation</i>		2x	M2, N1
3.	Lengthy and administrative-demanding process of eligible expenditures reimbursement	The most restricting barrier	3x	M2, E1, E2
		Restricting barrier	3x	M1, N1, N2
4.	Irrelevant, unrealistic and complicated indicators of the SF Programmes and projects	The most restricting barrier	3x	E1, E2, N1
		Restricting barrier	3x	M1, M2, N2
5.	Insufficient SF implementation structure's administrative capacity	The most restricting barrier	1x	M2
		Restricting barrier	5x	M1, E1, E2, N1, N2
5a.	<i>Insufficient qualifying profile of the staff</i>		2x	M1, M2
6.	Insufficient financial capacities of the small FBs to develop and manage quality projects	The most restricting barrier	1x	E2
		Restricting barrier	5x	M1, M2, E1, N1, N2
7.	Late and slow SF Programmes start-up	The most restricting barrier	4x	M2, E1, E2, N2
		Restricting barrier	1x	N1
8.	Insufficient informedness of applicants/FBs about the OPs, fields of aid and aid rules	The most restricting barrier	2x	M2, N2
		Restricting barrier	2x	E1, N1
9.	Unreformed Czech public administration	The most restricting barrier	2x	M2, E2
		Restricting barrier	1x	E1
10.	Insufficient involvement of relevant parties in the SF Programmes preparation	The most restricting barrier	1x	M2
		Restricting barrier	2x	E1, E2

11.	Insufficient personnel and technical capacities of the small FBs to develop and manage quality projects	The most restricting barrier	1x	E2
		Restricting barrier	2x	M2, N1
12.	Non-transparent SF projects assessment and selection	The most restricting barrier	1x	N1
		Restricting barrier	1x	M1
12a.	<i>Lengthy process of projects assessment and selection with excessive delays</i>		2x	M2, N1
13.	Ineffective, user-unfriendly and non-transparent monitoring system of the SF	The most restricting barrier	1x	E2
		Restricting barrier	1x	E1
14.	Non-specific focus and low-quality design of the SF Programmes	The most restricting barrier	0x	-
		Restricting barrier	2x	E1, N1
15.	Insufficient communication and cooperation between the Czech government and the regional authorities in the SF Programmes preparation	The most restricting barrier	1x	M2
		Restricting barrier	0x	-

Source: Author's own elaboration based on information provided in subchapter 5.2

Note: M1 = Municipality 1, M2 = Municipality 2, E1 = Enterprise 1, E2 = Enterprise 2, N1 = NGO 1, N2 = NGO 2.

Barriers are derived either *directly* (i.e. these barriers were explicitly mentioned during the interview) or *indirectly* (i.e. these barriers were deduced from actions that the CR should take in order to improve the SF utilisation explicitly mentioned during the interview). Barriers are ordered from the most frequent ones.

Figure 14 summarises the most frequently mentioned barriers that prevent the CR from the SF successful utilisation (i.e. barriers mentioned at least three times in Table 21) as perceived by the small FBs and puts them under the headings of barriers of Figure 7.

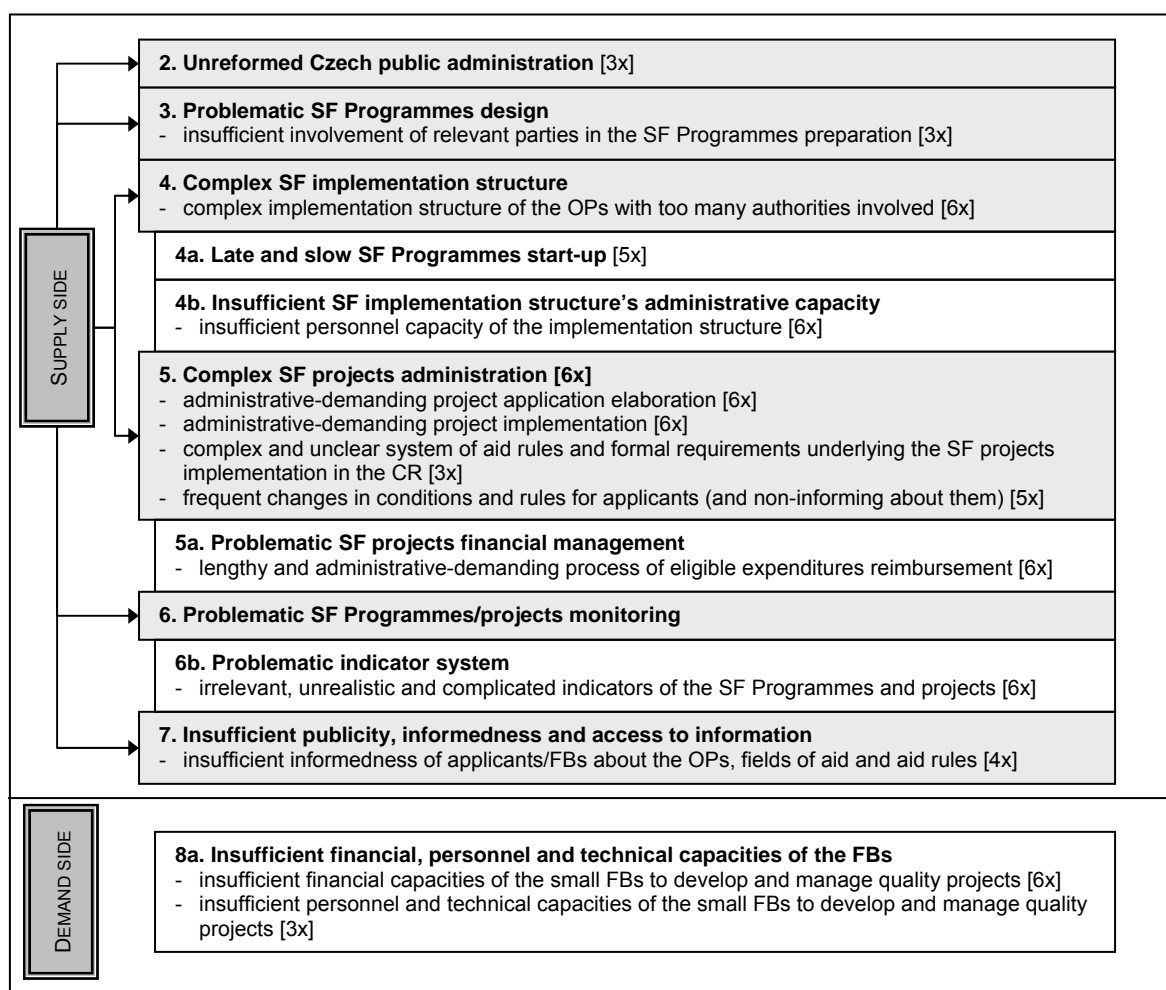


Figure 14: The most restricting barriers preventing the CR from the SF successful utilisation as perceived by the small FBs  
Source: Author's own elaboration based on information presented in subchapter 5.2

The text above, thus, contributed to answering RQ 1e: *What are the barriers that prevent the CR from the SF successful utilisation?* RQ 1e is fully answered in subchapter 6.2.

### 5.3.2 RQ 2a: What actions should the CR take in order to improve the SF utilisation?

Based on information provided in subchapter 5.2, actions that the CR should take in order to improve the SF utilisation *as perceived by the small FBs* (interviewed entities) can be coded and summarised as indicated in Table 22.

Table 22: Actions that the CR should take in order to improve the SF utilisation *as perceived by the small FBs*

No.	Actions that the CR should take in order to improve the SF utilisation	Number of the interviewed entities suggesting the action	
1.	To simplify the SF projects administration	6x	M1, M2, E1, E2, N1, N2
1a.	<i>To simplify formal requirements and administrative complexity of projects applications</i>	6x	M1, M2, E1, E2, N1, N2
1b.	<i>To simplify administrative complexity of projects implementation and to make it more efficient</i>	6x	M1, M2, E1, E2, N1, N2
1c.	<i>To set clear and understandable rules for projects implementation</i>	3x	M2, E1, E2
1d.	<i>To change Programme conditions and rules as least as possible (and to inform applicants/FBs about them)</i>	5x	M2, E1, E2, N1, N2
2.	To simplify the SF implementation structure (by reducing the excessive number of the IBs)	6x	M1, M2, E1, E2, N1, N2
2a.	<i>To improve unified management and coordination of the Programmes</i>	2x	M2, N1
3.	To accelerate financial flows to the FBs by simplifying procedures of expenditures certification and by simplifying the control of eligible expenditures	6x	M1, M2, E1, E2, N1, N2
4.	To rationalise the indicator system	6x	M1, M2, E1, E2, N1, N2
5.	To reinforce the implementation structure's personnel capacity by recruiting new competent staff	6x	M1, M2, E1, E2, N1, N2
5a.	<i>To develop the implementation structure's staff competence</i>	2x	M1, M2
6.	To replace a regressive reimbursement of projects with a phase-based projects financing when individual project phases would be reimbursed	6x	M1, M2, E1, E2, N1, N2
7.	To timely prepare the CR's programming documents (before the start of the programming period) and to timely declare the SF Programmes (at the beginning of the programming period)	5x	M2, E1, E2, N1, N2
8.	To improve information provision on the SF (information about the OPs, fields of aid, aid rules)	4x	M2, E1, N1, N2
9.	To finish reform of the Czech public administration	3x	M2, E1, E2
10.	To improve involvement of relevant parties in the SF Programmes preparation	3x	M2, E1, E2
11.	To reinforce the FBs' capacities and expertise	3x	M2, E2, N1
12.	To enhance transparency of the SF projects assessment and selection	2x	M1, N1
12a.	<i>To accelerate projects assessment and selection process</i>	2x	M2, N1
13.	To simplify and rationalise the monitoring system of the SF and to ensure its effectiveness	2x	E1, E2
14.	To better design the SF Programmes	2x	E1, N1
15.	To improve communication and cooperation between the Czech government and the regional authorities in the SF Programmes preparation	1x	M2

Source: Author's own elaboration based on information provided in subchapter 5.2

Note: M1 = Municipality 1, M2 = Municipality 2, E1 = Enterprise 1, E2 = Enterprise 2, N1 = NGO 1, N2 = NGO 2.

Actions are derived either *directly* (i.e. these actions were explicitly mentioned during the interview) or *indirectly* (i.e. these actions were deduced from barriers preventing the CR from the SF successful utilisation mentioned during the interview). Actions are ordered from the most frequent ones.

Figure 15 adjusts Figure 14 in such a way to present the most important actions that the CR should take to overcome the most restricting barriers to its SF utilisation *as perceived by the small FBs*.

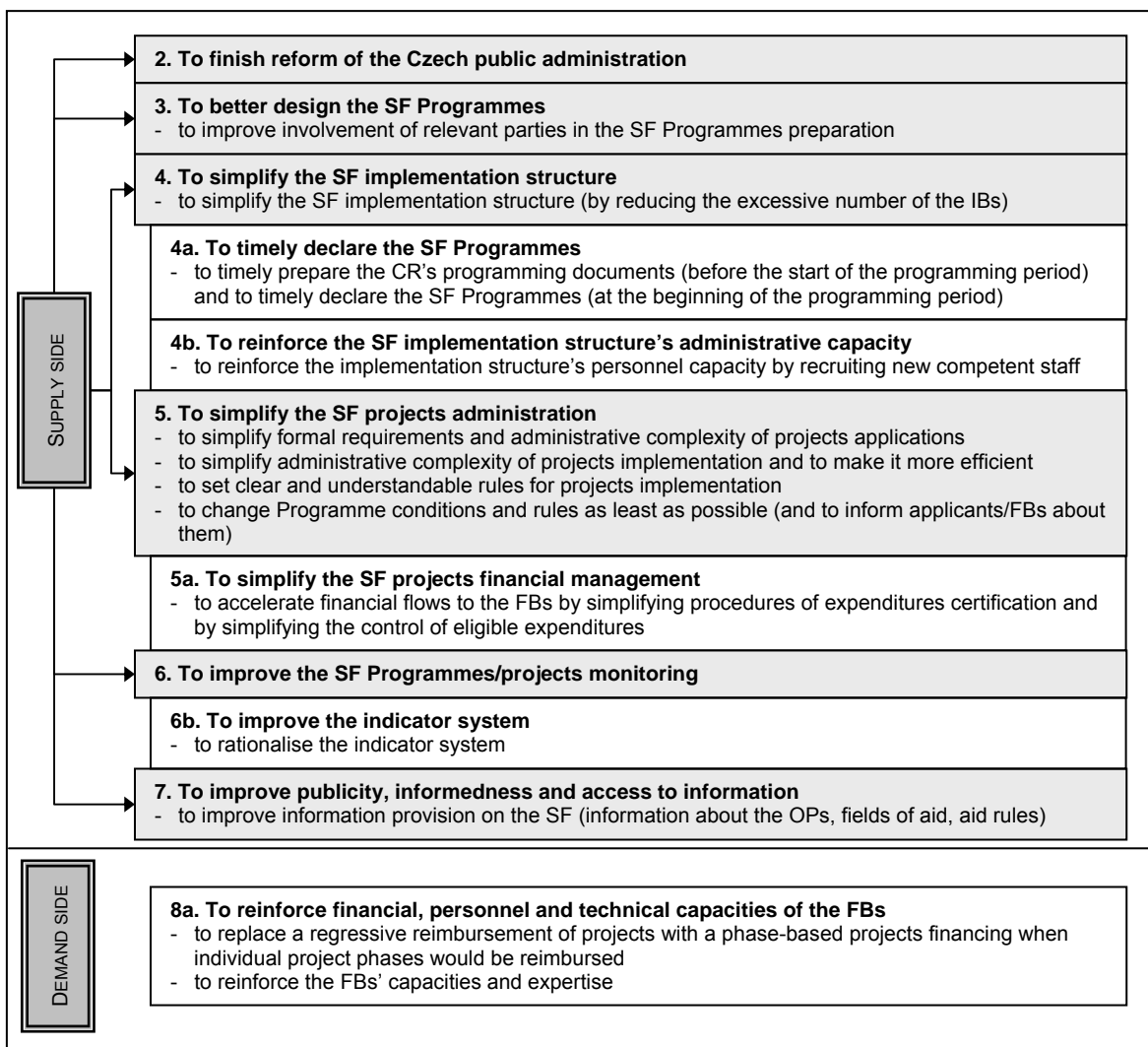


Figure 15: Actions that the CR should take to overcome the most restricting barriers to the SF utilisation as perceived by the small FBs

Source: Author's own elaboration based on information presented in subchapter 5.2

The text above, thus, contributed to answering RQ 2a: *What actions should the CR take in order to improve the SF utilisation?* RQ 2a is fully answered in subchapter 6.3.

## 5.4 Hypotheses analysis

Table 23 analyses the hypotheses of inner causes of the CR's utilisation problems, formulated in Table 3, based on the outcomes of the second data collection phase (interviews).

Table 23: Hypotheses analysis based on the outcomes of the second data collection phase

Hypotheses related to barriers at macro level	Outcomes of the second data collection phase	
	Confirmation or rejection of the hypothesis	See barrier (in Figure 14)
<b>Hypothesis 1:</b> <i>Insufficient communication and cooperation between the Czech government and the regional authorities in the SF Programmes preparation is one of the CR's inner causes of the SF utilisation problems.</i>	Insufficient communication and cooperation between the Czech government and the regional authorities in the SF Programmes preparation [1x] was mentioned just once during the interviews (see Table 21) ⇒ <u>Hypothesis is rejected</u>	---
<b>Hypothesis 2:</b> <i>Insufficient involvement of relevant parties in the SF Programmes preparation is one of the CR's inner causes of the SF utilisation problems.</i>	Insufficient involvement of relevant parties in the SF Programmes preparation [3x] ranks among the most restricting barriers. ⇒ <u>Hypothesis is confirmed</u>	3. Problematic SF Programmes design

Hypotheses related to barriers at micro level	Outcomes of the second data collection phase	
	Confirmation or rejection of the hypothesis	See barrier (in Figure 14)
<u>Hypothesis 3:</u> <i>Complexity of administrative procedures is one of the CR's inner causes of the SF utilisation problems.</i>	Complex SF projects administration [6x] - administrative-demanding project application elaboration [6x] and administrative-demanding project implementation [6x] - ranks among the most restricting barriers. ⇒ <u>Hypothesis is confirmed</u>	5. Complex SF projects administration
<u>Hypothesis 4:</u> <i>Co-financing difficulties of the FBs is one of the CR's inner causes of the SF utilisation problems.</i>	Insufficient financial capacities of the <i>small</i> FBs to develop and manage quality projects [6x] rank among the most restricting barriers. ⇒ <u>Hypothesis is partially confirmed</u> (hypothesis holds to small FBs in particular)	8a. Insufficient financial, personnel and technical capacities of the FBs
<u>Hypothesis 5:</u> <i>Lack of capacities of the FBs to prepare quality projects is one of the CR's inner causes of the SF utilisation problems.</i>	Insufficient personnel and technical capacities of the <i>small</i> FBs to develop and manage quality projects [3x] rank among the most restricting barriers. ⇒ <u>Hypothesis is partially confirmed</u> (hypothesis holds to small FBs in particular)	8a. Insufficient financial, personnel and technical capacities of the FBs
<u>Hypothesis 6:</u> <i>Lack of information of the FBs is one of the CR's inner causes of the SF utilisation problems.</i>	Insufficient informedness of applicants/FBs about the OPs, fields of aid and aid rules [4x] ranks among the most restricting barriers. ⇒ <u>Hypothesis is confirmed</u>	7. Insufficient publicity, informedness and access to information
<u>Hypothesis 7:</u> <i>Lack of transparency in projects selection is one of the CR's inner causes of the SF utilisation problems.</i>	Non-transparent SF projects assessment and selection [2x] was mentioned just twice during the interviews (see Table 21) ⇒ <u>Hypothesis is rejected</u>	---

Source: Author's own elaboration based on information presented in subchapter 5.2 and analysed in subchapter 5.3

The final assessment of each of these hypotheses takes place in subchapter 6.4.

## 5.5 Conclusion

Chapter 5 dealt with the second data collection phase – interviews. Subchapter 5.2 presented information found via the interviews on RQs 1e and 2a. Subchapter 5.3 analysed, came up with common themes and summarised the qualitative data collected via interviews and presented in subchapter 5.2; and thus, contributed to answering RQ 1e: *What are the barriers that prevent the CR from the SF successful utilisation?* and RQ 2a: *What actions should the CR take in order to improve the SF utilisation?* Subchapter 5.4 analysed the seven hypotheses of inner causes of the CR's utilisation problems based on the outcomes of the interviews. The following chapter answers and analyses RQs 1e and 2a based on the outcomes of both the data collection phases and provides final assessment of the seven hypotheses tested in the empirical research.

## 6. Interpretation of results

### 6.1 Introduction

In this chapter, answers to RQ 1e (subchapter 6.2) and RQ 2a (subchapter 6.3) are analysed based on the outcomes of both the data collection phases (documents review and interviews) since these research sub-questions are the most important ones that will contribute to answering the two central RQs formulated for this thesis.

Subchapter 6.4 provides final assessment of the seven hypotheses tested in the empirical research.

### 6.2 RQ 1e: *What are the barriers that prevent the CR from the SF successful utilisation?*

The most restricting barriers preventing the CR from the SF successful utilisation *as perceived by the MAs, the EC and other authors* are summarised in Figure 8 and the most restricting barriers preventing the CR from the SF successful utilisation *as perceived by the small FBs* are summarised in Figure 14. Table 24 puts information from Figure 8 and Figure 14 together and thus provides a well-arranged overview of the most restricting barriers preventing the CR from the SF successful utilisation according to both these groups of entities.

Table 24: The most restricting barriers preventing the CR from the SF successful utilisation *as perceived by the MAs, the EC and other authors and the small FBs*

		<b>The most restricting barriers preventing the CR from the SF successful utilisation as perceived by:</b>	
		<b><i>the MAs, the EC and other authors</i></b>	<b><i>the small FBs</i></b>
SUPPLY SIDE	<b>2. Unreformed Czech public administration</b>		- unreformed Czech public administration [3x]
	<b>3. Problematic SF Programmes design</b>		- insufficient involvement of relevant parties in the SF Programmes preparation [3x]
	<b>4. Complex SF implementation structure</b>	- complex implementation structure of the OPs with too many authorities involved [13x]	- complex implementation structure of the OPs with too many authorities involved [6x]
	<b>4a. Late and slow SF Programmes start-up</b>		- late and slow SF Programmes start-up [5x]
	<b>4b. Insufficient SF implementation structure's administrative capacity</b>	- insufficient personnel capacity of the implementation structure [13x] - high staff fluctuation resulting in instability of the implementation structure [10x]	- insufficient personnel capacity of the implementation structure [6x]
	<b>4c. Insufficient communication, collaboration and coordination in the SF implementation structure</b>	- lack of communication, collaboration and coordination of operational procedures within the SF implementation structure given by its complexity [9x]	-----
	<b>5. Complex SF projects administration</b>	- complex, administrative-demanding, methodically non-uniform, non-transparent and prolonged SF implementation system and project administration procedures [16x] - frequent changes in conditions and rules for applicants [6x]	- complex SF projects administration [6x] - administrative-demanding project application elaboration [6x] - administrative-demanding project implementation [6x] - complex and unclear system of aid rules and formal requirements underlying the SF projects implementation in the CR [3x] - frequent changes in conditions and rules for applicants (and non-informing about them) [5x]
	<b>5a. Problematic SF projects financial management</b>	- lengthy and administrative-demanding process of eligible expenditures reimbursement [6x]	- lengthy and administrative-demanding process of eligible expenditures reimbursement [6x]
	<b>5b. Non-transparent and lengthy SF projects assessment and selection</b>	- non-transparent SF projects assessment and selection [8x] - lengthy process of projects assessment and selection with excessive delays [7x]	-----
	<b>6b. Problematic indicator system</b>		- irrelevant, unrealistic and complicated indicators of the SF Programmes and projects [6x]



DEMAND SIDE	<b>7. Insufficient publicity, informedness and access to information</b>	
	<ul style="list-style-type: none"> <li>- insufficient informedness of applicants/FBs about the OPs, fields of aid and aid rules [10x]</li> <li>- terminologically ambiguous, incomprehensible, unclear, incomplete, non-transparent and out-of-date information provided for applicants/FBs (especially on the internet) [6x]</li> </ul>	<ul style="list-style-type: none"> <li>- insufficient informedness of applicants/FBs about the OPs, fields of aid and aid rules [4x]</li> </ul>
	<b>8a. Insufficient financial, personnel and technical capacities of the FBs</b>	
	<ul style="list-style-type: none"> <li>- lack of financial sources of the FBs for full ex-ante financing and co-financing of projects [7x]</li> <li>- insufficient financial, personnel and technical capacities of the small FBs (small municipalities, small NGOs, small enterprises) to develop and manage quality projects [9x]</li> </ul>	<ul style="list-style-type: none"> <li>- insufficient financial capacities of the small FBs to develop and manage quality projects [6x]</li> <li>- insufficient personnel and technical capacities of the small FBs to develop and manage quality projects [3x]</li> </ul>
	<b>8b. Insufficient quality of projects</b>	
	<ul style="list-style-type: none"> <li>- low quality of projects due to inexperience of applicants (especially the small ones) [10x]</li> </ul>	-----

Source: Author's own elaboration based on information provided in Figure 8 and Figure 14

Note: Number in the square parentheses indicated how many times the concrete barrier was mentioned either in various documents (2<sup>nd</sup> column) or in the interviews (3<sup>rd</sup> column).

Interviews held with the small FBs provided valuable insights on barriers preventing the CR from the SF successful utilisation from the small FBs' perspective and experience.

As Table 24 shows, several barriers were mentioned by both groups of entities (*the MAs, the EC and other authors* – documents review; *the small FBs* – interviews). The commonly perceived most restricting barriers are as following: complex SF implementation structure; insufficient SF implementation structure's administrative capacity; complex SF projects administration; problematic SF projects financial management; insufficient publicity, informedness and access to information; insufficient financial, personnel and technical capacities of the FBs.

Table 24 further demonstrates that some barriers were identified only by documents review (but not by interviews) as *the most restricting barriers*: First, insufficient communication, collaboration and coordination in the SF implementation structure (rationalisation: this barrier can only be perceived by the MAs, the EC or other authors but not by the FBs since the FBs cannot see how the implementation structures of the SF Programmes mutually communicate, collaborate and coordinate). Second, non-transparent and lengthy SF projects assessment and selection (rationalisation: the interviews were held with successful FBs, i.e. with those whose projects were selected for co-financing from the SF). Third, insufficient quality of projects (rationalisation: the interviewed entities cannot assess the overall quality of projects submitted within various OPs).

Table 24 further demonstrates that some barriers were identified only by interviews (but not by documents review) as *the most restricting barriers*: First, unreformed Czech public administration (rationalisation: this barrier is more strongly perceived by the FBs since they see unreformed Czech public administration as a source of general bureaucratic complexity related to the SF projects development and implementation in the CR). Second, problematic SF Programmes design – insufficient involvement of relevant parties in the SF Programmes preparation (rationalisation: this barrier is more strongly perceived by the FBs since they can better evaluate whether all relevant parties, including their representatives, were involved in the SF Programmes preparation). Third, late and slow SF Programmes start-up (rationalisation: this barrier is more strongly perceived by the FBs since they were forced to wait with their projects development and submission till the moment of the SF Programme declaration). Fourth, problematic indicator system – irrelevant, unrealistic and complicated indicators of the SF Programmes and projects (rationalisation: this barrier is more strongly perceived by the FBs as they have to deal with set indicators during their project implementation).

Table 25 provides overview of the most restricting barriers preventing the CR from the SF successful utilisation as *perceived by the MAs, the EC and other authors and/or the small FBs* (and general actions suggested for overcoming these barriers) and evaluation of whether the barriers are manageable (i.e. can be changed in the short- or long-term) or non-manageable (i.e. cannot be avoided). Table 25 gives specific priorities to barriers to be overcome in the current programming period 2007-2013 and to barriers to be overcome in the next programming period 2014-2020; these priorities suggest in which order the actions should be taken in order to improve the SF implementation in the CR. As it can be seen from Table 25, to reinforce the SF implementation structure's administrative capacity is an action having the greatest priority in the current programming period 2007-2013 whereas to simplify the SF implementation structure is an action having the greatest priority in the next programming period 2014-2020.

Table 25: Manageability (short- or long-term) or non-manageability of the most restricting barriers preventing the CR from the SF successful utilisation *as perceived by the MAs, the EC and other authors and/or the small FBs*

The most restricting barriers preventing the CR from the SF successful utilisation	Actions that the CR should take to overcome the most restricting barriers to the SF utilisation	Manageability (short- or long-term) or non-manageability of the particular barrier	PRIORITY	PERIOD
<b>4b. Insufficient SF implementation structure's administrative capacity</b> <ul style="list-style-type: none"> <li>- insufficient personnel capacity of the implementation structure</li> <li>- high staff fluctuation resulting in instability of the implementation structure</li> </ul>	<b>4b. To reinforce the SF implementation structure's administrative capacity</b> <ul style="list-style-type: none"> <li>- to reinforce the implementation structure's personnel capacity by recruiting new competent staff</li> <li>- to reduce undesirable staff fluctuation by introducing a motivating system of remuneration (improved financial valuation) and introducing human resources development policies</li> </ul>	<i>This barrier is <u>manageable</u> and can be overcome in the <u>short-term</u> in the <u>current programming period</u>.</i>	PRIORITY 1	CURRENT PROGRAMMING PERIOD 2007-2013
<b>2. Unreformed Czech public administration</b> <ul style="list-style-type: none"> <li>- unreformed Czech public administration</li> </ul>	<b>2. To finish reform of the Czech public administration</b> <ul style="list-style-type: none"> <li>- to finish reform of the Czech public administration</li> </ul>	<i>This barrier is <u>manageable</u> and can be overcome in the <u>long-term</u> starting in the <u>current programming period</u>.</i>	PRIORITY 2	
<b>4c. Insufficient communication, collaboration and coordination in the SF implementation structure</b> <ul style="list-style-type: none"> <li>- lack of communication, collaboration and coordination of operational procedures within the SF implementation structure given by its complexity</li> </ul>	<b>4c. To reinforce communication, collaboration and coordination in the SF implementation structure</b> <ul style="list-style-type: none"> <li>- to set mechanisms and conditions for a more intensive communication, collaboration and coordination within the implementation structure</li> </ul>	<i>This barrier is <u>manageable</u> and can be overcome in the <u>long-term</u> starting in the <u>current programming period</u>.</i>	PRIORITY 3	
<b>7. Insufficient publicity, informedness and access to information</b> <ul style="list-style-type: none"> <li>- insufficient informedness of applicants/FBs about the OPs, fields of aid and aid rules</li> <li>- terminologically ambiguous, incomprehensible, unclear, incomplete, non-transparent and out-of-date information provided for applicants/FBs (especially on the internet)</li> </ul>	<b>7. To improve publicity, informedness and access to information</b> <ul style="list-style-type: none"> <li>- to improve information provision on the SF (information about the OPs, fields of aid, aid rules)</li> <li>- to improve transparency and comprehensibility of information on the SF</li> <li>- to establish well-arranged and understandable information sources for applicants/FBs</li> </ul>	<i>This barrier is <u>manageable</u> and can be overcome in the <u>short-term</u> in the <u>current programming period</u>.</i>	PRIORITY 4	
<b>8b. Insufficient quality of projects</b> <ul style="list-style-type: none"> <li>- low quality of projects due to inexperience of applicants (especially the small ones)</li> </ul>	<b>8b. To enhance quality of projects</b> <ul style="list-style-type: none"> <li>- to extend the offer of trainings for the FBs in the field of project development and management</li> <li>- to provide intensive support for applicants and project submitters (especially the small ones) during the project development in terms of continuous consultancies on project proposals, information activities, help with documentation preparation</li> </ul>	<i>This barrier is <u>manageable</u> and can be overcome in the <u>long-term</u> starting in the <u>current programming period</u>.</i>	PRIORITY 5	
<b>8a. Insufficient financial, personnel and technical capacities of the FBs</b> <ul style="list-style-type: none"> <li>- insufficient financial capacities of the small FBs to develop and manage quality projects</li> <li>- insufficient personnel and technical capacities of the small FBs to develop and manage quality projects</li> </ul>	<b>8a. To reinforce financial, personnel and technical capacities of the FBs</b> <ul style="list-style-type: none"> <li>- to replace a regressive reimbursement of projects with a phase-based projects financing when individual project phases would be reimbursed</li> <li>- to reinforce the FBs' capacities and expertise</li> <li>- to support cooperation of small and large subjects within integrated projects</li> </ul>	<i>This barrier is <u>non-manageable</u>, cannot be avoided but can be minimised by measures to be taken in the <u>current programming period</u>.</i>	PRIORITY 6	
<b>5b. Non-transparent and lengthy SF projects assessment and selection</b> <ul style="list-style-type: none"> <li>- non-transparent SF projects assessment and selection</li> <li>- lengthy process of projects assessment and selection with excessive delays</li> </ul>	<b>5b. To make the SF projects assessment and selection more transparent and accelerated</b> <ul style="list-style-type: none"> <li>- to enhance transparency of the SF projects assessment and selection</li> <li>- to accelerate projects assessment and selection process</li> </ul>	<i>This barrier is <u>manageable</u> and can be overcome in the <u>short-term</u> in the <u>current programming period</u>.</i>	PRIORITY 7	

<b>4. Complex SF implementation structure</b> - complex implementation structure of the OPs with too many authorities involved	<b>4. To simplify the SF implementation structure</b> - to simplify the SF implementation structure (by reducing the excessive number of the IBs)	<i>This barrier is <u>manageable</u> and can be overcome in the <u>short-term</u> in the <u>next programming period</u>.</i>	PRIORITY 1	NEXT PROGRAMMING PERIOD 2014-2020
<b>5. Complex SF projects administration</b> - complex SF projects administration - administrative-demanding project application elaboration - administrative-demanding project implementation - complex and unclear system of aid rules and formal requirements underlying the SF projects implementation in the CR - frequent changes in conditions and rules for applicants (and non-informing about them)	<b>5. To simplify the SF projects administration</b> - to simplify formal requirements and administrative complexity of projects applications - to simplify administrative complexity of projects implementation and to make it more efficient - to set clear and understandable rules for projects implementation - to change Programme conditions and rules as least as possible (and to inform applicants/FBs about them)	<i>This barrier is <u>manageable</u> and can be overcome in the <u>short-term</u> in the <u>next programming period</u>.</i>	PRIORITY 2	
<b>5a. Problematic SF projects financial management</b> - lengthy and administrative-demanding process of eligible expenditures reimbursement	<b>5a. To simplify the SF projects financial management</b> - to accelerate financial flows to the FBs by simplifying procedures of expenditures certification and by simplifying the control of eligible expenditures - to establish an effective, efficient, simpler and transparent system of financial flows, which would be the most favourable for the FBs	<i>This barrier is <u>manageable</u> and can be overcome in the <u>short-term</u> in the <u>next programming period</u>.</i>	PRIORITY 3	
<b>3. Problematic SF Programmes design</b> - insufficient involvement of relevant parties in the SF Programmes preparation	<b>3. To better design the SF Programmes</b> - to improve involvement of relevant parties in the SF Programmes preparation	<i>This barrier is <u>manageable</u> and can be overcome in the <u>short-term</u> in the <u>next programming period</u>.</i>	PRIORITY 4	
<b>6b. Problematic indicator system</b> - irrelevant, unrealistic and complicated indicators of the SF Programmes and projects	<b>6b. To improve the indicator system</b> - to rationalise the indicator system	<i>This barrier is <u>manageable</u> and can be overcome in the <u>short-term</u> in the <u>next programming period</u>.</i>	PRIORITY 5	
<b>4a. Late and slow SF Programmes start-up</b> - late and slow SF Programmes start-up	<b>4a. To timely declare the SF Programmes</b> - to timely prepare the CR's programming documents (before the start of the programming period) and to timely declare the SF Programmes (at the beginning of the programming period)	<i>This barrier is <u>manageable</u> and can be overcome in the <u>short-term</u> in the <u>next programming period</u>.</i>	PRIORITY 6	

Source: Author's own elaboration based on information provided in Table 24 and Table 26

Note: Barriers listed under the barriers to be overcome in the next programming period 2014-2020 are manageable and can be overcome in the short-term once the actions suggested for overcoming these barriers are incorporated in the SF programming documents of the CR being prepared for the next programming period 2014-2020. These barriers are manageable in the short-term but not in the current programming period since these issues cannot be changed at this moment when the current programming period is in the run.

The text above, thus, answered RQ 1e: *What are the barriers that prevent the CR from the SF successful utilisation?*

### 6.3 RQ 2a: *What actions should the CR take in order to improve the SF utilisation?*

Actions that the CR should take to overcome the most restricting barriers to its SF utilisation as perceived by the MAs, the EC and other authors are summarised in Figure 11 and actions that the CR should take to overcome the most restricting barriers to its SF utilisation as perceived by the small FBs are summarised in Figure 15. Table 26 puts information from Figure 11 and Figure 15 together and thus provides a well-arranged overview of the most important actions that the CR

should take to overcome the most restricting barriers to its SF utilisation (as outlined in Table 24) according to both these groups of entities.

Table 26: Actions that the CR should take to overcome the most restricting barriers to the SF utilisation as perceived by the MAs, the EC and other authors and the small FBs

		<b>Actions that the CR should take to overcome the most restricting barriers to the SF utilisation as perceived by:</b>		
		<i>the MAs, the EC and other authors</i>	<i>The small FBs</i>	
SUPPLY SIDE	<b>2. To finish reform of the Czech public administration</b>		- to finish reform of the Czech public administration	
	<b>3. To better design the SF Programmes</b>		- to improve involvement of relevant parties in the SF Programmes preparation	
	<b>4. To simplify the SF implementation structure</b>		- to simplify the SF implementation structure (by reducing the excessive number of the IBs)	
	<b>4a. To timely declare the SF Programmes</b>		- to timely prepare the CR's programming documents (before the start of the programming period) and to timely declare the SF Programmes (at the beginning of the programming period)	
	<b>4b. To reinforce the SF implementation structure's administrative capacity</b>		- to reinforce the implementation structure's personnel capacity by recruiting new competent staff	
	<b>4c. To reinforce communication, collaboration and coordination in the SF implementation structure</b>		-----	
	<b>5. To simplify the SF projects administration</b>		- to simplify formal requirements and administrative complexity of projects applications - to simplify administrative complexity of projects implementation and make it more efficient - to change Programme conditions and rules as least as possible	
	<b>5a. To simplify the SF projects financial management</b>		- to accelerate financial flows to the FBs by simplifying procedures of expenditures certification and by simplifying the control of eligible expenditures - to establish an effective, efficient, simpler and transparent system of financial flows, which would be the most favourable for the FBs	
	<b>5b. To make the SF projects assessment and selection more transparent and accelerated</b>		-----	
	<b>6b. To improve the indicator system</b>		- to rationalise the indicator system	
	<b>7. To improve publicity, informedness and access to information</b>		- to improve information provision on the SF (information about the OPs, fields of aid, aid rules)	
	DEMAND SIDE	<b>8a. To reinforce financial, personnel and technical capacities of the FBs</b>		- to replace a regressive reimbursement of projects with a phase-based projects financing when individual project phases would be reimbursed - to reinforce the FBs' capacities and expertise - to support cooperation of small and large subjects within integrated projects
				- to replace a regressive reimbursement of projects with a phase-based projects financing when individual project phases would be reimbursed - to reinforce the FBs' capacities and expertise

<b>8b. To enhance quality of projects</b>	<ul style="list-style-type: none"> <li>- to extend the offer of trainings for the FBs in the field of project development and management</li> <li>- to provide intensive support for applicants and project submitters (especially the small ones) during the project development in terms of continuous consultancies on project proposals, information activities, help with documentation preparation</li> </ul>	-----
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Source: Author's own elaboration based on information provided in Figure 11 and Figure 15

Table 25 hereinbefore suggests what of these general actions, proposed for overcoming the most restricting barriers preventing the CR from the SF successful utilisation, can be taken in the short-term (either in the current programming period 2007-2013 or in the next programming period 2014-2020) and in the long-term (starting in the current programming period 2007-2013), respectively. The text thereafter suggests specific measures that the CR should take within these actions in order to overcome the most restricting barriers. All these specific measures are realistic ones since these can be indeed taken by the relevant authority (the MRD/the MA/the IB) either in the current programming period 2007-2013 or in the next programming period 2014-2020. Specific measures are ordered respecting the priorities given to the relevant most restricting barriers in Table 25.

### Specific measures to be taken in the current programming period 2007-2013

#### **4b. To reinforce the SF implementation structure's administrative capacity**

- *to reinforce the implementation structure's personnel capacity by recruiting new competent staff*
- *to reduce undesirable staff fluctuation by introducing a motivating system of remuneration (improved financial valuation) and introducing human resources development policies*

This action has priority 1 and is manageable in the short term in the current programming period. Sufficient SF implementation structure's administrative capacity is a key precondition of absorption capacity of the SF Programmes implemented in the CR.

Insufficient SF implementation structure's administrative capacity is a three-fold barrier, whose overcoming requires:

- to ensure sufficient personnel capacity of the SF implementation structure;
- to ensure sufficient competency of the SF implementation structure's staff;
- to ensure motivation (and thus stabilisation) of the SF implementation structure's staff.

High professional demands put on the SF implementation structure's staff together with insufficient financial evaluation and insufficient non-financial motivation of this staff contribute to difficulties with recruiting new competent staff and stabilising this staff.

Each MA/IB has to elaborate a capacity model of its OP by analysing its needs for administrative capacity and by formulating profiles and job descriptions of the staff required, and to subsequently effectively implement it by selecting and recruiting new highly qualified employees with experience with the SF implementation, team-spirit and excellent communication skills. To be able to recruit and retain highly qualified staff, it is essential to reinforce financial and non-financial motivation of this staff in such a way to make working in public administration as attractive as it is in private sector.

Measures to be taken in order to ensure sufficient financial motivation of the SF implementation structure's staff:

- each MA/IB should increase the financial remuneration of the SF implementation structure's staff (in order to make these salaries comparable to those in private sector) by respecting the Government Decree No 818 of 18<sup>th</sup> July 2007<sup>52</sup> and by ensuring gradual objectives/tasks-driven increase of these salaries (or by providing regular objectives/tasks-driven financial rewards).

Measures to be taken in order to ensure sufficient non-financial motivation of the SF implementation structure's staff:

- each MA/IB should introduce human resources development techniques in order to systematically enhance the competences and expertises of the staff by providing sufficient and motivating education and vocational and managerial training (set individually for each employee respecting his/her workload) containing general education (programme management, project management, computer techniques, foreign languages, communication and presentation skills, etc.) and specific education reflecting the employee's workload (financial

<sup>52</sup> Procedures of solving the Administrative Capacity of Drawdown of Funds from Structural Funds and from the Cohesion Fund for 2007 – 2013.

- management, accounting, state aid, public procurements, eligible expenditures, control, public relations, etc.);
- each MA/IB should provide motivating non-financial benefits (extended number of leave, tickets for cultural and sport activities, meal tickets, mobile phones, vehicles, commuting contribution, team-building activities, etc.).

## **2. To finish reform of the Czech public administration**

### ***- to finish reform of the Czech public administration***

This action has priority 2 and is manageable in the long term starting in the current programming period. Unreformed Czech public administration contributes to other barriers restricting the SF utilisation in the CR (i.e. complex SF implementation structure; insufficient communication, collaboration and coordination in the SF implementation structure; insufficient SF implementation structure's administrative capacity). Furthermore, complex SF project administration and financial management reflects complex bureaucratic operating procedures inherent with the unreformed Czech public administration.

The CR has to reform its public administration in order to modernise and professionalize it. Objectives of such a reform of the Czech public administration are as following:

- to make the Czech public administration more effective, more dynamic, more transparent, thinner, and more open to the general public;
- to improve operation quality of administration and to remove unnecessary bureaucratic operating procedures of the public authorities;
- to reinforce low public administration's staff motivation to fulfil their tasks and to reinforce each public authority's responsibility for its work;
- to reinforce low inter-resort cooperation.

The CR's government should provide an integrated strategy on how to modernise the Czech public administration; concrete measures to be included in such a strategy are as following:

- to analyse operating processes of each public authority and to detect those processes that are non-productive and non-related to the public authority's agenda fulfilling; to remove the regulatory burden at the central level;
- to implement efficiency management such as objective-based management, objective-based budgeting (efficient public expenditures), and to implement quality management (i.e. to implement quality monitoring of the public authorities' internal processes and to reinforce control of quality and effectiveness of operating procedures);
- to implement human resources management and development techniques: to provide educational and training programmes for the staff in order to improve their skills and qualification; to improve staff financial remuneration in order to improve their motivation; to provide managers with skills necessary for managerial functions performance in order to implement managerial techniques in practice;
- to set rules for inter-resort communication within the public administration; to reduce the inter-resort work administrativeness; to focus on information sharing and preservation within the public administration;
- to shift the centre of gravity so that local authorities are more involved in the (so far centrally oriented) policymaking;
- to improve communication between the central public administration, local authorities, and the general public by finding an optimal coordination mechanism for such a communication;
- to implement modern information technologies and systems (e-government, digitalisation) in order to reduce expenses of the public administration, to manage information, and to improve communication among the public administration institutions and with the general public.

## **4c. To reinforce communication, collaboration and coordination in the SF implementation structure**

### ***- to set mechanisms and conditions for a more intensive communication, collaboration and coordination within the implementation structure***

This action has priority 3 and is manageable in the long term starting in the current programming period. Insufficient communication, collaboration and coordination in the SF implementation structure leads to methodical heterogeneity within and among the OPs, which considerably complicates smooth SF implementation in the CR.

A low inter-resort coordination and collaboration and unwillingness to communicate within and between public institutions and fight between individual authorities for competencies (as various political parties control the individual ministries and local authorities) is a common problem of the Czech public administration, thus insufficient communication, collaboration and coordination of

operating procedures in the SF implementation structure is related to the desired reform of the Czech public administration. Unfortunately, this problem cannot be easily overcome as it is highly politicised. The CR has to conduct an analysis of optimal coordination mechanisms and conditions for communication channels and flows between public authorities and to set rules for information sharing and communication deepening within the public administration. The current coordination mechanisms are not always effective and thus setting optimal rules for inter-resort communication is required. The mutual communication, coordination and collaboration in the SF implementation structure can be gradually reinforced by organising common working groups and round tables involving the MRD, the MAs and IBs (organised by the MRD as the main coordinator of the SF implementation in the CR) that would discuss common problems, suggestions, improvements, methodical issues etc.; thereby, mutual cooperation would be experienced and could gradually become inherent with the Czech public administration. Furthermore, the CR should reduce the complex SF implementation structure in the next programming period 2014-2020 (as suggested thereafter); by this reduction the communication, collaboration and coordination in the SF implementation structure will become easier.

**7. To improve publicity, informedness and access to information**

- to improve information provision on the SF (information about the OPs, fields of aid, aid rules)
- to improve transparency and comprehensibility of information on the SF
- to establish well-arranged and understandable information sources for applicants/FBs

This action has priority 4 and is manageable in the short term in the current programming period. To improve publicity, informedness and access to information is more than desired in order to reinforce absorption capacity of the SF Programmes implemented in the CR.

Measures that should be taken in order to improve publicity, informedness and access to information:

- general information about all the OPs implemented in the CR should be primarily published on the central portal of the SF implementation in the CR [www.strukturalni-fondy.cz](http://www.strukturalni-fondy.cz) being provided by the MRD and should be provided by regional contact points represented in each NUTS III; general awareness of the OPs in the CR among the general public must be increased by a more intensive utilisation of national/regional mass media in an information campaign governed by the MRD; central portal [www.strukturalni-fondy.cz](http://www.strukturalni-fondy.cz) should also offer a search tool that would list those Priority Axes and/or Areas of Intervention that fit the entered key words, this would help applicants to easily find aid possibilities within all the OPs suiting their intended project;
- each MA/IB should carry out an analysis of informedness of potential applicants/FBs about the concrete OP that would discover what ways of informing are effective, what means of informing should be reinforced, what information is missing, what improvements in information provision should be made according to potential applicants/FBs; each MA/IB should then provide information about the OP accordingly;
- Communication Plans of each OP should then respect outcomes of this analysis and focus information and promotional actions on the preferred means of informing potential applicants/FBs (means such as: websites of the MA/IB, central portal [www.strukturalni-fondy.cz](http://www.strukturalni-fondy.cz), media, conferences, information seminars thematically oriented, other information actions, Eurocentres, personal consultation with the MA/IB, interactive portal for enquiries and answers provided by the MA/IB, etc.); Communication Plans should be also more focused on the concrete OP propagation (i.e. to present the OP's objectives, Priority Axes, Areas of Intervention, supported activities, plausible FBs, target groups, and examples of good practice projects) than on abstract propagation;
- each MA/IB should: ensure that comprehensible, clear, complete, actual (actual versions of brochures and other documents), and terminologically unambiguous information is published on the websites of the MA/IB; ensure that this information is consistent with information provided on the central portal [www.strukturalni-fondy.cz](http://www.strukturalni-fondy.cz); ensure regular update of the information on the central portal;
- each MA/IB should also guarantee that brochures/manuals/other information materials for potential applicants/FBs are understandable (for non-expert general public), clear, well-arranged, brief, terminologically unambiguous, and mutually interlinked – in this respect, it is desired to conduct an independent analysis that would evaluate the level of understandability of issued materials; information for potential applicants/FBs should be kept in a smaller number of documents so that applicants/FBs can easily orientate in them;
- potential applicants/FBs should be properly informed about the way they can communicate with the MA/IB (email address for enquiries, telephone line – free of charge if possible – for

- enquiries, portal for enquiries and answers, etc.) in order to smooth the communication between applicants/FBs and the OP's implementation structure;
- the problem with inconsistent information provided for applicants/FBs by various institutions of the OP (MA, IB) could be overcome by: coordinating the communication activities; determining, which information would be provided by the MA and which by the IB (i.e. by delimitating competences); establishing a mutually interlinked interactive portal of the OP, through which the MA/IB would respond to applicants/FBs' enquiries; organising working groups, in which interpretation of unclear parts of brochures/manuals/information materials would be discussed, agreed upon and eventually changed in those brochures so that unified interpretation is ensured;
- each MA/IB should publish its internal manuals, methodical/operational manuals and other rules related to the given OP implementation on its website in order to ensure transparency of the whole SF implementation in the CR; this initiative should be governed by the MRD;
- each MA/IB must be sufficiently staffed for these communication and propagation activities.

**8b. To enhance quality of projects**

- *to extend the offer of trainings for the FBs in the field of project development and management*
- *to provide intensive support for applicants and project submitters (especially the small ones) during the project development in terms of continuous consultancies on project proposals, information activities, help with documentation preparation*

This action has priority 5 and is manageable in the long term starting in the current programming period. Ability of applicants to prepare sufficient number of high quality projects and consequently to manage such projects is a basic presumption of the SF successful utilisation in each country. Insufficient quality of submitted projects was a barrier in the shortened programming period 2004-2006 since only some applicants had experience with pre-accession instruments; others had no experience with development of projects co-financed from the SF whatsoever. In the current programming period 2007-2013 quality level of submitted projects naturally increases as applicants get more experienced with the SF projects development. However, there are still measures that can be taken in order to further enhance quality of submitted projects, these includes:

- IBs and/or regional contact points (present in each NUTS III – regions) should provide applicants with: continuous consultancies over their project proposals, feedback and suggestions for improvements, help with documentation preparation (this personal consultancy is especially important for small applicants who cannot afford to pay consultancy firms for elaborating their projects proposal);
- each MA/IB should establish a telephone line (free of charge, if possible) and email address for specific enquiries about projects development; establishment of an interactive portal for specific questions about projects development that would interlink the MA, the IB and applicants is also highly recommended;
- consultancy services provided by various consultancy firms that elaborate projects 'on key' for their clients should become eligible expenditures so that even small applicants could utilise services of these consultancy firms;
- applicants should be provided with (detail and smaller) seminars on each Priority Axis that would acquaint applicants with the target groups of the Areas of Intervention, the target groups' needs and resulting supported activities, and concrete examples of projects in order to help applicants to better focus and link their projects proposal with the target groups' demands;
- applicants should be provided with information seminars/trainings (financed from the OP's technical assistance budget or the OP TA) focused on project development/project management within the particular OP and thematically focused on key activities, eligible expenditures, budget composition, rules of state aid, monitoring and indicators, partnership, publicity, sustainability, and filling the web application with the aim to avoid methodical mistakes in projects development/implementation (these thematically organised seminars should reflect the demand of applicants for specific information on the mentioned themes);
- each MA/IB should communicate features of a quality project application, should support experience exchange among projects submitters at workshops/seminars/conferences, and should provide applicants with best practice examples (i.e. successful projects); it is also desired to provide a model project with mistakes and to publish reasons of other projects rejection so that applicants can avoid frequent mistakes in project development.



**8a. To reinforce financial, personnel and technical capacities of the FBs**

- *to replace a regressive reimbursement of projects with a phase-based projects financing when individual project phases would be reimbursed*
- *to reinforce the FBs' capacities and expertise*
- *to support cooperation of small and large subjects within integrated projects*

This action has priority 6. Insufficient financial, personnel and technical capacities of the small FBs (small municipalities, small enterprises, small NGOs) to prepare and manage quality projects, considerably limiting absorption capacity of the FBs, is a non-manageable barrier, which can, however, be at least partially overcome by taking certain measures in the current programming period; these measures involve the following:

- regressive reimbursement of projects should be replaced with either a phase-based projects financing when individual project phases are reimbursed or ex-ante payments<sup>53</sup>; this would remove the necessity to ensure financial sources for full ex-ante project co-financing, which is being a difficulty for small applicants in particular; it is possible to grant some advantages to small applicants in terms of quicker eligible expenditures reimbursement or providing some ex-ante payments, however, it has to be ensured that project submitted by a small applicant embodies quality and importance for regional development so that advantages can be granted;
- IBs and/or regional contact points (present in each NUTS III – regions) should provide small applicants with continuous consultancies over their project proposals and assist them in documentation preparation;
- consultancy services provided by various consultancy firms should become eligible expenditures so that even small applicants could utilise their services;
- small applicants should be provided with information seminars/trainings (financed from the OP's technical assistance budget or the OP TA) focused on project development/project management within the particular OP and thematically focused on key activities, eligible expenditures, budget composition, rules of state aid, monitoring and indicators, partnership, publicity, sustainability, and filling the web application with the aim to avoid methodical mistakes in projects development/implementation (these thematic seminars should reflect the demand of small applicants for specific information on the mentioned themes);
- cooperation of small and large entities in joint projects should overcome limited ability of small applicants to develop and manage projects on their own.

**5b. To make the SF projects assessment and selection more transparent and accelerated**

- *to enhance transparency of the SF projects assessment and selection*
- *to accelerate projects assessment and selection process*

This action has priority 7 and is manageable in the short term in the current programming period. Transparency in the SF projects assessment and selection influences applicants/FBs' interest to compete for the SF aid and their trust in the whole SF implementation system, and thus must be ensured. Measures that should be taken in order to make the SF projects assessment and selection more transparent and accelerated:

- the MRD should set that each MA/IB is obliged to publish on its website information related to projects assessment, supported and unsupported projects including number of points awarded, rationalisation of support or rejection<sup>54</sup> and amount of grant allocated to supported projects; each MA, based on the EC requirement, has to publish on its website a basic list of supported projects with the name of the entity, number of points awarded, and grant allocated;
- each MA/IB should provide full feedback related to assessment of both successful and unsuccessful projects, i.e. should inform the applicant about the points awarded and reasons for project support or rejection (it is especially important to properly inform the unsuccessful applicants so that they have a chance to modify their project application and to submit it later in another call for proposals);
- each MA/IB should set precise, clear, measurable, non-discriminative and objective criteria for projects assessment that would be more focused on real quality of project (i.e. its potential benefits for regional development and positive impacts on the target groups regardless of who submits the project) than on formal quality of project; these criteria (as well as assessment and selection procedures) should be set in each call for proposals (for each Area of Intervention), and thus well-known for each applicant;

<sup>53</sup> Each MA can decide on either ex-post payments to the FBs (regressive or phase-based reimbursement of the eligible expenditures) or ex-ante payments to the FBs, which means that this is not unified in all the OPs being implemented in the current programming period 2007-2013 in the CR.

<sup>54</sup> Publishing the reasons for project rejection will contribute to quality enhancement of projects in general.

- each MA/IB should publish internal methodical materials related to projects assessment and selection in order to guarantee maximum transparency of the whole selection process;
- evaluators should be professionals with required experience with projects assessment and/or practice with projects implementation (it is not enough to prove a five-year practice in the branch only); evaluators must be intensively trained and regularly educated and examined in order to become experts on the given Priority Axis of the OP (initial training of evaluators lasting for one day is not sufficient in this respect); number of projects evaluated by each evaluator should be increased whereas number of evaluators should not be increased (i.e. to utilise evaluators more often); evaluators' work must be monitored and evaluated; evaluators' financial evaluation and motivation must be enhanced in order to make them work effectively;
- evaluators must not be in conflict of interest – evaluators must not assess projects in those calls for proposals, in which their own project or project, on which elaboration they cooperated, is submitted;
- the whole projects assessment and selection process should be accelerated (i.e. the time between project submission, project assessment, informing the applicant, and contract conclusion should be reduced from several months to several weeks) by obligatory monitoring the deadlines for these processes, by utilising the evaluators more intensively, and by setting sanctions for those evaluators who do not meet the deadlines;
- transparency of the whole SF projects assessment and selection in the CR can be maximally ensured by unifying projects assessment and selection mechanisms for all the OPs.

#### **Specific measures to be taken in the next programming period 2014-2020**

##### **4. To simplify the SF implementation structure**

- *to simplify the SF implementation structure (by reducing the excessive number of the IBs)*

This action has priority 1 and is manageable in the short term in the next programming period. Simplification of the SF implementation structure is understood in terms of reduction in the number of the IBs of each OP (this will contribute to a methodical homogeneity within the OP and its smoother implementation) and in terms of reduction in the number of the OPs implemented in the CR (this will contribute to unification of the OPs' operational procedures and their better coordination in the CR).

This action can be implemented in the preparation for the next programming period 2014-2020. The current complex architecture of 24 OPs is given by the fact that each ministry strived to control at least one OP (in the current programming period 2007-2013) as the MA or at least as the IB. This can be explained by the low inter-resort cooperation within the Czech public administration when the individual ministries, led by various political parties, are not willing to mutually communicate and coordinate and rather strive for competences, and thus want to have a control over their own OP. However, the current complex architecture of 24 OPs is unfortunate for several reasons: the coordination (and attempt to unify the OPs) of all the OPs is difficult due to the enormous number of the MAs and IBs; competences of individual MAs and IBs are hardly determinable; overlap of individual Priority Axes/Areas of Intervention of the OPs does occur; potential applicants/FBs difficulty orientate in this complex architecture. In the next programming period 2014-2020 it is more than desired to reduce the number of the OPs (and thus to reduce the extensive number of authorities involved in the SF implementation in the CR) so that thematically related OPs are integrated<sup>55</sup> in the same way as it was in the shortened programming period 2004-2006. By implementing this, the number of the MAs and IBs will be significantly reduced. Each OP should have preferably only one IB; if the focus of such an OP does not make this possible, the OP could have two IBs maximally. If the individual ministries are not willing to get rid of their control over their own OP and are not willing to unify operational procedures, the MRD as the National Coordination Authority should be in charge of all the OPs (number of which would be significantly reduced) as the MA and the individual ministries or other subjects (currently fulfilling the IB role – see Table 33) could be assigned to be the IBs implementing projects from the beginning till the end; by this central coordination the mutual coordination of the OPs would be possible; operational procedures of all the OPs would be unified and more transparent; competences of the MA (the

<sup>55</sup> Thematic OPs being implemented in the current programming period 2007-2013 (see Table 33 in Appendix 4) could be simplified in the next programming period 2014-2020 in this manner: the OP Enterprise and Innovation should be joined with the OP Research and Development for Innovation; the OP Environment should be joined with the OP Transport; the OP Education for Competitiveness should be joined with the OP Human Resources and Employment; the OP Technical Assistance should be eliminated (technical issues can be treated in the technical assistance budgets of each OP); the Integrated OP should be eliminated (provided that the ROPs will remain).

MRD) and the IBs would be more easily determinable; overlap of Priority Axes/Areas of Intervention of the OPs would be eliminated; potential applicants/FBs would better orientate in the SF aid possibilities in the CR; providing such an SF implementation structure with required resources would be less expensive.

**5. To simplify the SF projects administration**

- to simplify formal requirements and administrative complexity of projects applications
- to simplify administrative complexity of projects implementation and to make it more efficient
- to set clear and understandable rules for projects implementation
- to change Programme conditions and rules as least as possible (and to inform applicants/FBs about them)

This action has priority 2 and is manageable in the short term in the next programming period. The current state of complex SF projects administration discourages potential applicants from project submission, and thus represents a threat to absorption capacity of the SF Programmes in the CR.

Measures to be taken in order to simplify the SF projects administration:

- to simplify administrativeness related to project application elaboration: to remove the bureaucratically complex formal requirements and necessities of project applications; to limit a number of mandatory appendixes of project applications; to eliminate the necessity to fill in some information double; to eliminate those parts of projects applications that are not used for evidencing or assessing projects;
- to simplify administrativeness related to project implementation and control: to methodically simplify administration processes; to optimise the methodical documents; to improve methodical support of the FBs; to simplify monitoring reports;
- to simplify strict rules underlying the SF project implementation in the CR; to make these rules simple, clear, understandable, non-discouraging, and unified for all the OPs in the CR (the SF implementation structure's staff having experience with projects administration and implementation in practice should be used for setting these rules); to issue a unified methodology of the SF rules in the CR is highly recommended;
- to change the rules and conditions related to the OP implementation as least as possible (this requires to prepare the OP documentation properly before the start of the programming period so that no additional changes are necessary, however, if some changes have to be made, applicants/FBs must be promptly informed about these modifications);
- to shorten activities related to projects administration by reinforcing the SF implementation structure's administrative capacity; to mandatory observe deadlines in projects administration;
- to improve the SF Programmes documentation – each MA/IB should ensure that brochures/manuals/other information materials for potential applicants/FBs are understandable (for non-expert general public), clear, well-arranged, brief, terminologically unambiguous, and mutually interlinked – in this respect, it is desired to conduct an independent analysis that would evaluate the level of understandability of issued materials; information for potential applicants/FBs should be kept in a smaller number of documents so that applicants/FBs can easily orientate in them.

**5a. To simplify the SF projects financial management**

- to accelerate financial flows to the FBs by simplifying procedures of expenditures certification and by simplifying the control of eligible expenditures
- to establish an effective, efficient, simpler and transparent system of financial flows, which would be the most favourable for the FBs

This action has priority 3 and is manageable in the short term in the next programming period. Complex SF projects financial management discourages potential applicants from project submission; lengthy financial flows actually slow down the rate of the SF utilisation in the CR.

Measures to be taken in order to simplify and to accelerate the SF projects financial management:

- to simplify administrative procedures related to eligible expenditures showing and related control of eligible expenditures (to remove duplicity in data showing, to remove necessity of providing several copies of accounting documents, to remove necessity of showing accounting documents to a certain limit of financial means spent); to simplify the monitoring reports (and not to change their format constantly) and to focus these reports more on factual project implementation than on administrative requirements fulfilment;
- to conceptually manage the financial control with the aim to maximally reduce time and administrative demandingness hereof;
- to reduce the deadlines for eligible expenditures control (financial control and approval of monitoring reports and requests for payment) and eligible expenditures reimbursement (i.e. to shorten the period between claim and reimbursement as much as possible once the monitoring

report is complete) by simplifying the audit of accounting documents, by recruiting (for the MA/IB) competent staff for the financial issues that is experienced with accounting and financial reporting in practice (not just theoretically), by outsourcing financial control services for financial control of accounting documents and requests for payments; and to obligatory observe these deadlines;

- to replace regressive reimbursement of projects with either a phase-based projects financing when individual projects phases are reimbursed or ex-ante payments;
- to set unambiguous, clear and understandable methodology (unified for the MA and IB of the OP) of interpretation of the eligible expenditures, value added tax, state aid, selection procedures, financial control procedures, financial relations between project partners; to ensure its liability;
- to better train the FBs in financial accounting related to the SF projects implementation so that the error rate of monitoring reports and requests for payments (contributing to delay in eligible expenditures reimbursement) is minimised;
- to unify the financial procedures (including unification of co-financing rate of the SF, national public financial means, and the private financial means of the FBs) of all the OPs.

### **3. To better design the SF Programmes**

#### **- to improve involvement of relevant parties in the SF Programmes preparation**

This action has priority 4 and is manageable in the short term in the next programming period. It is essential for reinforcement of absorption capacity of the SF Programmes in the CR to aim the SF Programmes on genuine target groups' needs and to distribute the financial means based on the actual demand.

In the preparation for the next programming period 2014-2020 it is required to involve all the relevant stakeholders in the strategic documents (the NDP, the NSRF) and the programming documents (the OPs) preparation, to discuss the draft versions of these documents with these stakeholders on meetings/public debates organised by the MRD (for the NDP and the NSRF preparation) and on meetings/round tables/seminars carried out by the individual MAs (for the individual OPs preparation), and to amend these documents accordingly. Partners should be involved during the OPs preparation in: developing the OPs, identifying which spatial areas should receive assistance, fixing targets for the intervention, fixing indicators, deciding on project selection criteria, and ex-ante OPs evaluation. Proper involvement of all the relevant parties in the SF Programmes preparation (i.e. fulfilment of the partnership principle) is vital since it ensures that: the strategic objectives of the SF in the CR and the objectives and priorities of the OPs (Priority Axes, Areas of Intervention of the OPs) suit the target groups; Priority Axes and Areas of Intervention are concrete and specifically focused; distribution of financial means between the individual Areas of Intervention (supply) mirror regions' actual development needs (demand). The stakeholders (partners) to be involved in the above mentioned stages are representatives of: relevant ministries; regional, local and urban authorities (from each NUTS III); NGOs (NGOs with various focus); economic, social and environmental partners; educational institutions; private sector; bodies representing civil society and bodies responsible for promoting equality between men and women<sup>56</sup>.

### **6b. To improve the indicator system**

#### **- to rationalise the indicator system**

This action has priority 5 and is manageable in the short term in the next programming period. It is important to set indicators relevant to the OP's objectives as wrongly set indicators have a negative impact on the OP's utilisation if the given indicators are not met. These set indicators also determine priorities at projects selection, thus unsuitable indicator setting excludes certain activities from the aid grant.

Measures to be taken in order to improve the indicator system:

- to set relevant, logic, realistic, clear, simple, unambiguous, terminologically and contently unified indicators of the SF Programmes and projects that would be fulfilable and aggregable at a higher level of IS; indicators must as much as possible predicate the effects that the expended financial means will have, causality and meaningfulness of the indicators must, thus,

<sup>56</sup> Such as the Chamber of Commerce of the CR, the Agrarian Chamber of the CR, the Czech-Moravian Chamber of Trade Unions, the Czech Statistical Office, the Academy of Science of the CR, the Union of Czech and Moravian Production Cooperatives, the Union of Towns and Municipalities, the Czech Rectors' Conference, the Confederation of Industry and Transport, the Confederation of Employers' and Entrepreneurs' Associations, the Government Council for NGOs, the Government Council for National Minorities, the Government Council for Equal Opportunities for Women and Men, the Government Council for Research and Development, the Government Council for Human Resource Development.

- be ensured; these indicators should not be changed during the programming period and should be preferably elaborate by external experts having experience with this;
- to elaborate simple, unambiguous, and understandable (for both projects submitters and projects administrators) definitions of indicators including explanation and setting processes and deadlines for their fulfilment, control, and management;
  - to reduce the extensive number of indicators for the SF Programmes and projects assessment so that a simpler and clearer hierarchy of indicators is created.

**4a. To timely declare the SF Programmes**

- to timely prepare the CR's programming documents (before the start of the programming period) and to timely declare the SF Programmes (at the beginning of the programming period)

This action has priority 6 and is manageable in the short term in the next programming period. Late declaration of the SF Programmes unnecessarily cuts the programming period, during which the SF means can be utilised in the CR, and thus contributes to a threat that the financial means allocated to the CR will not be utilised.

Taking into account the experience from the current programming period 2007-2013 when the EC approved the NSRF and several OPs of the CR several months after the official start of the programming period (see Table 17) due to late submission of these documents by the CR to the EC, it is crucial to start with the preparation several years (3-4 years<sup>57</sup>) before the beginning of the next programming period 2014-2020. The time required for this preparation has to take into consideration: the time required for evaluation of the success of the OPs being implemented in the current programming period 2007-2013; the time required for the preparation of the programming documents and the time required for consultation on these programming documents with the relevant partners (see partnership principle) and related amending these programming documents; the time required for amending the programming documents according to the EC recommendations and requirements; the time required for a possible changes in the programming documents as a result of elections of either ministers or heads of local authorities in the CR. In this respect, the CR is highly advised to reduce the number of the OPs in the next programming period 2014-2020. All the CR's programming documents (the NDP, the NSRF, the OPs) for the next programming period 2014-2020 have to be ready before 1<sup>st</sup> January 2014 so that the first calls for proposals of all the OPs can be declared on 1<sup>st</sup> January 2014. Of course, not only readiness of these programming documents matters; the SF implementation structure has to be ready as well in terms of having finished all the (internal) methodical guidelines and materials on the OPs implementation, having concluded a treaty between the MA and its IB(s) of each OP, and having ensured sufficient personnel capacity.

The text above, thus, answered RQ 2a: *What actions should the CR take in order to improve the SF utilisation?*

**6.4 Hypotheses final assessment**

In Table 3, seven hypotheses of inner causes of the CR's utilisation problems are formulated in order to be tested in the empirical research. Final assessment of each of these hypotheses, based on the outcomes of the first data collection phase (Table 19) and the second data collection phase (Table 23) takes place in Table 27 and is summarised in the text thereafter.

Table 27: Hypotheses analysis based on the outcomes of the first and second data collection phases

Hypothesis	Outcomes of the first data collection phase (documents review) and the second data collection phase (interviews)	Final assessment based on the outcomes of both the data collection phases
<b>Hypotheses related to barriers at macro level</b>		
Hypothesis 1: <i>Insufficient communication and cooperation between the Czech government and the regional authorities in the SF Programmes preparation is one of the CR's inner causes of the SF utilisation problems.</i>	<i>Documents review</i> ⇒ <u>Hypothesis is rejected</u>	⇒ <u>Hypothesis is rejected</u>
	<i>Interviews</i> ⇒ <u>Hypothesis is rejected</u>	

<sup>57</sup> Preparation of the CR's programming documents for the current programming period 2007-2013 was initiated two years before the start of this period, which proved to be an insufficient time interval.

<p><b>Hypothesis 2:</b> Insufficient involvement of relevant parties in the SF Programmes preparation is one of the CR's inner causes of the SF utilisation problems.</p>	<p>Documents review ⇒ <u>Hypothesis is partially confirmed</u> (barrier was mentioned just twice)</p>	<p>⇒ <u>Hypothesis is confirmed</u></p>
	<p>Interviews ⇒ <u>Hypothesis is confirmed</u></p>	
<b>Hypotheses related to barriers at micro level</b>		
<p><b>Hypothesis 3:</b> Complexity of administrative procedures is one of the CR's inner causes of the SF utilisation problems.</p>	<p>Documents review ⇒ <u>Hypothesis is confirmed</u></p>	<p>⇒ <u>Hypothesis is confirmed</u></p>
	<p>Interviews ⇒ <u>Hypothesis is confirmed</u></p>	
<p><b>Hypothesis 4:</b> Co-financing difficulties of the FBs is one of the CR's inner causes of the SF utilisation problems.</p>	<p>Documents review ⇒ <u>Hypothesis is confirmed</u></p>	<p>⇒ <u>Hypothesis is partially confirmed</u> (hypothesis holds to small FBs in particular<sup>58</sup>)</p>
	<p>Interviews ⇒ <u>Hypothesis is partially confirmed</u> (hypothesis holds to small FBs in particular)</p>	
<p><b>Hypothesis 5:</b> Lack of capacities of the FBs to prepare quality projects is one of the CR's inner causes of the SF utilisation problems.</p>	<p>Documents review ⇒ <u>Hypothesis is partially confirmed</u> (hypothesis holds to small FBs in particular)</p>	<p>⇒ <u>Hypothesis is partially confirmed</u> (hypothesis holds to small FBs in particular)</p>
	<p>Interviews ⇒ <u>Hypothesis is partially confirmed</u> (hypothesis holds to small FBs in particular)</p>	
<p><b>Hypothesis 6:</b> Lack of information of the FBs is one of the CR's inner causes of the SF utilisation problems.</p>	<p>Documents review ⇒ <u>Hypothesis is confirmed</u></p>	<p>⇒ <u>Hypothesis is confirmed</u></p>
	<p>Interviews ⇒ <u>Hypothesis is confirmed</u></p>	
<p><b>Hypothesis 7:</b> Lack of transparency in projects selection is one of the CR's inner causes of the SF utilisation problems.</p>	<p>Documents review ⇒ <u>Hypothesis is confirmed</u></p>	<p>⇒ <u>Hypothesis is partially confirmed</u> (based on the outcomes of documents review<sup>59</sup>)</p>
	<p>Interviews ⇒ <u>Hypothesis is rejected</u></p>	

Source: Author's own elaboration based on information presented in Table 19 and Table 23

Insufficient involvement of relevant parties in the SF Programmes preparation (hypothesis 2), complexity of administrative procedures (hypothesis 3), lack of information of the FBs (hypothesis 6) rank among the CR's inner causes of the SF utilisation problems since these hypotheses are *confirmed* in the empirical research.

Co-financing difficulties of the FBs (hypothesis 4), lack of capacities of the FBs to prepare quality projects (hypothesis 5), lack of transparency in projects selection (hypothesis 7) partially rank among the CR's inner causes of the SF utilisation problems since these hypotheses are *partially confirmed* in the empirical research (hypotheses 4 and 5 hold to the small FBs in particular, hypothesis 7 is confirmed based on the documents review only).

Insufficient communication and cooperation between the Czech government and the regional authorities in the SF Programmes preparation (hypothesis 1) does not rank among the CR's inner causes of the SF utilisation problems since this hypothesis is *rejected* in the empirical research.

## 6.5 Conclusion

Chapter 6 interpreted results of the most important research sub-questions that will contribute to answering the two central RQs of this thesis. Subchapter 6.2 answered and analysed RQ 1e: *What are the barriers that prevent the CR from the SF successful utilisation?* based on the outcomes of both the data collection phases (documents review and interviews). Subchapter 6.3 answered and analysed RQ 2a: *What actions should the CR take in order to improve the SF utilisation?* based on the outcomes of both the data collection phases (documents review and interviews). Subchapter 6.4 assessed the seven hypotheses tested in the empirical research. The following chapter concludes this research project.

<sup>58</sup> Further empirical research might be desired to investigate whether the large FBs face co-financing difficulties as well.

<sup>59</sup> Interviews were held with the small FBs who were *successful* in gaining aid from the SF. It is supposed that successful applicants do not consider lack of transparency in projects selection to be one of the CR's inner causes of the SF utilisation problems because their project was selected. However, the results of the interviews might have been different if the small *unsuccessful* FBs had been interviewed.

## 7. Conclusions and discussion

### 7.1 Introduction

The objective of this research project was to provide measures that might improve the effectiveness of the SF utilisation in the CR by investigating the inner causes of the utilisation problems. This objective was accomplished by insights from literature review (theoretical part of the thesis) and two qualitative data collection and analysis phases – documents review and interviews (empirical part of the thesis). Subchapter 7.2 summarises answers to RQs based on the outcomes of the theoretical and empirical part of this thesis. Subchapter 7.3 discusses methods and results of this thesis and provides suggestions for a further research.

### 7.2 Conclusions

Table 28 provides an overview of the RQs set for this thesis and a reference to the relevant subchapter, in which the particular RQ is answered. Answers to the RQs are summarised in the text thereafter.

Table 28: Answers to research questions

Research questions		Answer to this research question is provided in:
<b>RQ 1</b>	<b>What are the inner causes of the SF utilisation problems in the CR?</b>	<i>the text thereafter.</i>
RQ 1a	What is the EU's regional policy and the SF?	subchapter 2.2
RQ 1b	What does the EU's regional policy look like in the CR?	subchapter 4.2.2
RQ 1c	What is the current situation of the SF utilisation in the CR in comparison with other new EU member states?	subchapter 4.2.3 (Graph 2 in Appendix 1, Table 15, Table 16)
RQ 1d	What factors influence the SF successful utilisation?	subchapter 4.4.1 (Figure 6)
RQ 1e	What are the barriers that prevent the CR from the SF successful utilisation?	subchapter 6.2 (Table 24, Table 25)
RQ 1f	At which level(s) ('The EU – National government', 'National government – Regional authorities', 'Institutional', 'Private') do the SF utilisation barriers originate in the CR?	subchapter 4.4.3 (Figure 9)
<b>RQ 2</b>	<b>What are the measures that might tackle the SF utilisation problems in the CR?</b>	<i>the text thereafter.</i>
RQ 2a	What actions should the CR take in order to improve the SF utilisation?	subchapter 6.3 (Table 26)
RQ 2b	What actions (named in RQ 2a) has the CR already taken?	subchapter 4.4.5 (Figure 12)
RQ 2c	What actions (named in RQ 2a) did the CR not take?	subchapter 4.4.6 (Figure 12)

Source: Author's own elaboration

#### **RQ 1: What are the inner causes of the SF utilisation problems in the CR?**

The first central research question is answered on the basis of answers to research sub-questions 1a, 1b, 1c, 1d, 1e, and 1f that are summarised in the text thereafter.

The two data collection and analysis phases – documents review and interviews with six small FBs – concluded that the most restricting barriers to the SF successful utilisation in the CR originate at the 'National government – Regional authorities' level, 'Institutional' level, and 'Private' level.

The MAs, the EC and other authors (documents review) consider these barriers to be the most restricting ones to the SF successful utilisation in the CR:

*Barriers at the 'National government – Regional authorities' level:* complex SF projects administration; complex SF implementation structure; insufficient SF implementation structure's administrative capacity; insufficient communication, collaboration and coordination in the SF implementation structure; insufficient publicity, informedness and access to information; non-transparent and lengthy SF projects assessment and selection; problematic SF projects financial management.

*Barriers at the 'Institutional' level:* insufficient quality of projects; insufficient financial, personnel and technical capacities of the small FBs.

*Barriers at the 'Private' level:* insufficient quality of projects; insufficient financial, personnel and technical capacities of the small FBs.

The small FBs (interviews) consider these barriers to be the most restricting ones to the SF successful utilisation in the CR:

*Barriers at the 'National government – Regional authorities' level:* complex SF implementation structure; insufficient SF implementation structure's administrative capacity; complex SF projects administration; problematic SF projects financial management; problematic indicator system; late and slow SF Programmes start-up; insufficient publicity, informedness and access to information; unreformed Czech public administration; problematic SF Programmes design.

*Barriers at the 'Institutional' level:* insufficient financial, personnel and technical capacities of the small FBs.

*Barriers at the 'Private' level:* insufficient financial, personnel and technical capacities of the small FBs.

The above mentioned most restricting barriers can be split into the manageable barriers (i.e. barriers that can be changed in the short- or long-term) and non-manageable barriers (i.e. barriers that cannot be avoided):

Manageable barriers that can be overcome in the short-term in the current programming period 2007-2013: *insufficient SF implementation structure's administrative capacity* (i.e. insufficient personnel capacity of the implementation structure; high staff fluctuation resulting in instability of the implementation structure); *insufficient publicity, informedness and access to information* (i.e. insufficient informedness of applicants/FBs about the OPs, fields of aid and aid rules; terminologically ambiguous, incomprehensible, unclear, incomplete, non-transparent and out-of-date information provided for applicants/FBs (especially on the internet)); *non-transparent and lengthy SF projects assessment and selection*.

Manageable barriers that can be overcome in the long-term and actions to overcome them should be initiated in the current programming period 2007-2013: *unreformed Czech public administration*; related *insufficient communication, collaboration and coordination in the SF implementation structure* (i.e. lack of communication, collaboration and coordination of operational procedures within the SF implementation structure given by its complexity); *insufficient quality of projects* (i.e. low quality of projects due to inexperience of applicants (especially the small ones)).

Non-manageable barrier that cannot be avoided but can be minimised by taking certain actions in the current programming period 2007-2013: *insufficient financial, personnel and technical capacities of the small FBs* (i.e. insufficient financial, personnel and technical capacities of the small FBs to develop and manage quality projects).

Manageable barriers that can be overcome in the next programming period 2014-2020 by incorporating suggested measures in the CR's programming documents for the next programming period 2014-2020: *complex SF implementation structure* (i.e. complex implementation structure of the OPs with too many authorities involved); *complex SF projects administration* (i.e. administrative-demanding project application elaboration; administrative-demanding project implementation; complex and unclear system of aid rules and formal requirements underlying the SF projects implementation in the CR; frequent changes in conditions and rules for applicants (and non-informing about them)); *problematic SF projects financial management* (i.e. lengthy and administrative-demanding process of eligible expenditures reimbursement); *problematic SF Programmes design* (i.e. insufficient involvement of relevant parties in the SF Programmes preparation); *problematic indicator system* (i.e. irrelevant, unrealistic and complicated indicators of the SF Programmes and projects); *late and slow SF Programmes start-up*.

Importance of these most restricting barriers is not equal – each most restricting barrier has another priority; these priorities suggest in which order the actions should be taken in order to improve the SF implementation in the CR:

Priorities of barriers that should be overcome in the current programming period 2007-2013:

Priority 1 – Insufficient SF implementation structure's administrative capacity

Priority 2 – Unreformed Czech public administration

Priority 3 – Insufficient communication, collaboration and coordination in the SF implementation structure

Priority 4 – Insufficient publicity, informedness and access to information

Priority 5 – Insufficient quality of projects

Priority 6 – Insufficient financial, personnel and technical capacities of the small FBs

Priority 7 – Non-transparent and lengthy SF projects assessment and selection



Priorities of barriers that should be overcome in the next programming period 2014-2020:

Priority 1 – Complex SF implementation structure

Priority 2 – Complex SF projects administration

Priority 3 – Problematic SF projects financial management

Priority 4 – Problematic SF Programmes design

Priority 5 – Problematic indicator system

Priority 6 – Late and slow SF Programmes start-up

**RQ 1a: What is the EU's regional policy and the SF?**

Subchapter 2.2 provides general information on the EU's regional policy – that helps reduce differences between economic and social development of individual regions within the EU in terms of reducing disparities in income levels, output growth rates, and employment – in terms of purpose of the EU's regional policy, development of the EU's regional policy including main stages in the policy evolution and policy reform milestones, principles on which the EU's regional policy is based, effectiveness of the EU's regional policy to fulfil its intention to reduce regional disparities within the EU, and eligible regions based on the territorial statistical classification. Besides, strategic objectives, financial instruments (including the SF), programming processes and budget of the EU's regional policy are clarified for programming periods 2000-2006 and 2007-2013.

**RQ 1b: What does the EU's regional policy look like in the CR?**

Subchapter 4.2.2 illuminates the following aspects of the EU's regional policy in the CR in the shortened programming period 2004-2006:

First, NUTS classification of the CR shows that the whole CR creates NUTS I, which is further divided in eight so-called Cohesion Regions (NUTS II) and fourteen regions (NUTS III).

Second, programming documents of the CR (including the NDP, the CSF, the seven SF Programmes) are mentioned with a detailed overview of the seven SF Programmes (five OPs: OP IE, OP I, OP HRD, OP RDMA, JROP; and two SPDs: SPD 2, SPD 3) implemented in the CR in 2004-2006.

Third, basic implementation structure of the SF Programmes in the CR in 2004-2006 is provided involving the MA of the CSF, MAs of the OPs/SPDs, IBs of the OPs/SPDs, Paying Authority, Paying Units, Audit Authority, Monitoring Committee of the CSF, Monitoring Committees of the OPs/SPDs, and FBs of the OPs/SPDs.

Fourth, implementation of the SF Programmes in the CR is clarified from the OP declaration, through calls for proposals, project applications submission, project applications assessment and approval, informing the applicants, and project implementation to payments to the FB.

**RQ 1c: What is the current situation of the SF utilisation in the CR in comparison with other new EU member states?**

Subchapter 4.2.3 reminds that in total € 1 584.35 million (at 2004 prices, the Community Initiatives excluded) had been allocated from the SF to the CR for the shortened programming period 2004-2006. In Graph 2 in Appendix 1, showing data as per 23<sup>rd</sup> September 2008<sup>60</sup>, the EU-10 are compared in terms of the amount of the SF utilised as a percentage of the total amount of the SF allocated to the individual member states in the shortened programming period 2004-2006. Graph 2 shows that the CR ranks 8<sup>th</sup> within the EU-10 with respect to the SF implementation ability as the CR has managed to utilise 81.68 % of its SF total allocation for 2004-2006, i.e. the CR still had to spend 18.32 % of its SF allocation for 2004-2006 but it could only be made till 31<sup>st</sup> December 2008. Table 15 ranks the SF implemented in the CR in 2004-2006 based on their utilisation (as per 23<sup>rd</sup> September 2008): the EAGGF and the FIFG have managed to utilise 95.00 % of their allocations, the ERDF has utilised 85.79 % of its allocation, and the ESF has utilised only 66.70 % of its allocation. Table 16 ranks the seven SF Programmes implemented in the CR in 2004-2006 based on their utilisation (as per 30<sup>th</sup> September 2008): the JROP (co-financed from both the ERDF and the ESF) has managed to utilise 95.71 % of its allocation and is the most successful SF Programme, whereas the OP HRD (co-financed from the ESF) has utilised only 64.30 % of its allocation and is the least successful SF Programme in the CR in 2004-2006.

<sup>60</sup> 23<sup>rd</sup> September 2008 represents the most up-to-date statistics at the moment of writing that chapter.

**RQ 1d: What factors influence the SF successful utilisation?**

Subchapter 4.4.1 (Figure 6) distinguishes crucial factors influencing the SF successful utilisation on the supply side (i.e. on the relevant authorities' side) and on the demand side (i.e. on the FBs' side). Legislative readiness, SF Programmes readiness, institutional/administrative readiness, financial readiness, and information provision are identified as the most important factors on the *supply side* influencing the SF successful utilisation. Projects readiness and financial readiness are identified as the most important factors on the *demand side* influencing the SF successful utilisation.

**RQ 1e: What are the barriers that prevent the CR from the SF successful utilisation?**

Subchapter 6.2 (Table 24) summarises the following:

The most restricting barriers preventing the CR from the SF successful utilisation commonly perceived by the MAs, the EC and other authors (documents review) and the small FBs (interviews): *insufficient SF implementation structure's administrative capacity* (i.e. insufficient personnel capacity of the implementation structure; high staff fluctuation resulting in instability of the implementation structure); *insufficient publicity, informedness and access to information* (i.e. insufficient informedness of applicants/FBs about the OPs, fields of aid and aid rules; terminologically ambiguous, incomprehensible, unclear, incomplete, non-transparent and out-of-date information provided for applicants/FBs (especially on the internet)); *insufficient financial, personnel and technical capacities of the small FBs* (i.e. insufficient financial, personnel and technical capacities of the small FBs to develop and manage quality projects); *complex SF implementation structure* (i.e. complex implementation structure of the OPs with too many authorities involved); *complex SF projects administration* (i.e. administrative-demanding project application elaboration; administrative-demanding project implementation; complex and unclear system of aid rules and formal requirements underlying the SF projects implementation in the CR; frequent changes in conditions and rules for applicants (and non-informing about them)); *problematic SF projects financial management* (i.e. lengthy and administrative-demanding process of eligible expenditures reimbursement).

The most restricting barriers preventing the CR from the SF successful utilisation perceived by the MAs, the EC and other authors (documents review) but not by the small FBs (interviews): *insufficient communication, collaboration and coordination in the SF implementation structure* (i.e. lack of communication, collaboration and coordination of operational procedures within the SF implementation structure given by its complexity); *insufficient quality of projects* (i.e. low quality of projects due to inexperience of applicants (especially the small ones)); *non-transparent and lengthy SF projects assessment and selection*.

The most restricting barriers preventing the CR from the SF successful utilisation perceived by the small FBs (interviews) but not by the MAs, the EC and other authors (documents review): *unreformed Czech public administration; problematic SF Programmes design* (i.e. insufficient involvement of relevant parties in the SF Programmes preparation); *problematic indicator system* (i.e. irrelevant, unrealistic and complicated indicators of the SF Programmes and projects); *late and slow SF Programmes start-up*.

**RQ 1f: At which level(s) ('The EU – National government', 'National government – Regional authorities', 'Institutional', 'Private') do the SF utilisation barriers originate in the CR?**

Figure 1 illustrates that there are four potential levels at which inner utilisation barriers might originate: 'The EU – National government' level, 'National government – Regional authorities' level, 'Institutional' level, 'Private' level.

Subchapter 4.4.3 (Figure 9) concludes the following:

Complex SF implementation structure (including insufficient SF implementation structure's administrative capacity and insufficient communication, collaboration and coordination in the SF implementation structure), complex SF projects administration (including problematic SF projects financial management and non-transparent SF projects assessment and selection) and insufficient publicity, informedness and access to information *represent the most restricting inner utilisation barriers (as perceived by the MAs, the EC and other authors) originating at macro 'National government – Regional authorities' level*.

Insufficient absorption capacity of the FBs (including insufficient financial, personnel and technical capacities of the FBs, and insufficient quality of projects submitted by the FBs) *represents the most*

restricting inner utilisation barrier (as perceived by the MAs, the EC and other authors) originating at micro 'Institutional' level and 'Private' level<sup>61</sup>.

To summarise, the most restricting barriers to the SF successful utilisation in the CR as perceived by the MAs, the EC and other authors originate at the 'National government – Regional authorities' level, 'Institutional' level, and 'Private' level. This conclusion was confirmed by the interviews conducted with the small FBs.

However, the interviews revealed these disparities: Insufficient communication, collaboration and coordination in the SF implementation structure, non-transparent and lengthy SF projects assessment and selection, insufficient quality of projects *do not represent the most restricting inner utilisation barriers (as perceived by the small FBs)*. On the other hand, unreformed Czech public administration, problematic SF Programmes design, late and slow SF Programmes start-up, problematic indicator system *represent further most restricting inner utilisation barriers (as perceived by the small FBs) originating at macro 'National government – Regional authorities' level (see Table 24).*

## **RQ 2: What are the measures that might tackle the SF utilisation problems in the CR?**

Importance of actions, within which *specific measures* should be taken in order to tackle the SF utilisation problems in the CR, is not equal; each action has another priority respecting the priority given to the relevant most restricting barrier (see RQ 1 hereinbefore):

Priorities of actions that the CR should take (or initiate) in the current programming period 2007-2013:

Priority 1 – action: To reinforce the SF implementation structure's administrative capacity

Specific measures to be taken:

- each MA/IB has to elaborate a capacity model of its OP by analysing its needs for administrative capacity and by formulating profiles and job descriptions of the staff required, and to subsequently effectively implement it by selecting and recruiting new highly qualified employees;
- each MA/IB has to ensure sufficient financial motivation of the implementation structure's staff by: increasing financial remuneration of its staff by respecting the Government Decree No 818 of 18<sup>th</sup> July 2007 and by ensuring gradual objectives/tasks-driven increase of these salaries (or by providing regular objectives/tasks-driven financial rewards);
- each MA/IB has to ensure sufficient non-financial motivation of the implementation structure's staff by: introducing human resources development techniques in order to systematically enhance the competences and expertises of the staff by providing sufficient and motivating education and vocational and managerial training (set individually for each employee respecting his/her workload) containing general education<sup>62</sup> and specific education reflecting the employee's workload<sup>63</sup>; and by providing motivating non-financial benefits<sup>64</sup>.

Priority 2 – action: To finish reform of the Czech public administration

Specific measures to be taken:

The CR's government should provide an integrated strategy on how to modernise the Czech public administration; concrete measures to be included in such a strategy are as following:

- to analyse operating processes of each public authority and to detect those processes that are non-productive and non-related to the public authority's agenda fulfilling; to remove the regulatory burden at the central level;
- to implement efficiency management such as objective-based management, objective-based budgeting (efficient public expenditures), and to implement quality management (i.e. to implement quality monitoring of the public authorities' internal processes and to reinforce control of quality and effectiveness of operating procedures);

<sup>61</sup> Insufficient financial, personnel and technical capacities of the FBs is the barrier that influences the other barrier (insufficient quality of projects). Insufficient financial, personnel and technical capacities concern especially the small FBs; these insufficient capacities limit their ability to develop and manage (quality) projects. The small FBs that are missing these necessary capacities arise both at 'Institutional' level (small municipalities, small NGOs) and 'Private' level (small enterprises).

<sup>62</sup> Such as programme management, project management, computer techniques, foreign languages, communication and presentation skills, etc.

<sup>63</sup> Such as financial management, accounting, state aid, public procurements, eligible expenditures, control, public relations, etc.

<sup>64</sup> Such as extended number of leave, tickets for cultural and sport activities, meal tickets, service mobile phones, service vehicles, commuting contribution, team-building activities, etc.

- to implement human resources management and development techniques: to provide educational and training programmes for the staff in order to improve their skills and qualification; to improve staff financial remuneration in order to improve their motivation;
- to set rules for inter-resort communication within the public administration; to reduce the inter-resort work administrativeness; to focus on information sharing and preservation within the public administration;
- to shift the centre of gravity so that local authorities are more involved in the (so far centrally oriented) policymaking;
- to improve communication between the central public administration, local authorities, and the general public by finding an optimal coordination mechanism for such a communication;
- to implement modern information technologies and systems (e-government, digitalisation) in order to reduce expenses of the public administration, to manage information, and to improve communication among the public administration institutions and with the general public.

Priority 3 – action: To reinforce communication, collaboration and coordination in the SF implementation structure

*Specific measures to be taken:*

- the CR has to conduct an analysis of optimal coordination mechanisms and conditions for communication channels and flows between public authorities and to set rules for information sharing and communication deepening within the public administration;
- the mutual communication, coordination and collaboration in the SF implementation structure can be gradually reinforced by organising common working groups and round tables involving the MRD, the MAs and IBs (organised by the MRD as the main coordinator of the SF implementation in the CR) that would discuss common problems, suggestions, improvements, methodical issues etc.;
- the CR should reduce the complex SF implementation structure in the next programming period 2014-2020 (as suggested thereafter); by this reduction the communication, collaboration and coordination in the SF implementation structure would become easier.

Priority 4 – action: To improve publicity, informedness and access to information

*Specific measures to be taken:*

- general information about all the OPs implemented in the CR should be primarily published on the central portal of the SF implementation in the CR [www.strukturalni-fondy.cz](http://www.strukturalni-fondy.cz) and should be provided by regional contact points represented in each NUTS III; general awareness of the OPs in the CR among the general public must be increased by a more intensive utilisation of national/regional mass media in an information campaign governed by the MRD; central portal [www.strukturalni-fondy.cz](http://www.strukturalni-fondy.cz) should also offer a search tool that would list those Priority Axes and/or Areas of Intervention that fit the entered key words, this would help applicants to easily find aid possibilities within all the OPs suiting their intended project;
- each MA/IB should carry out an analysis of informedness of potential applicants/FBs about the OP that would discover what means of informing should be reinforced, what information is missing, what improvements in information provision should be made according to potential applicants/FBs; each MA/IB should then provide information about the OP accordingly;
- Communication Plans of each OP should then respect outcomes of this analysis and focus information and promotional actions on the preferred means of informing potential applicants/FBs<sup>65</sup>; Communication Plans should be more focused on the concrete OP propagation (i.e. to present the OP's objectives, Priority Axes, Areas of Intervention, supported activities, plausible FBs, target groups, and examples of good practice projects);
- each MA/IB should: ensure that comprehensible, clear, complete, actual (actual versions of brochures and other documents), and terminologically unambiguous information is published on the websites of the MA/IB; ensure that this information is consistent with information provided on the central portal [www.strukturalni-fondy.cz](http://www.strukturalni-fondy.cz); ensure regular update of the information on the central portal;
- each MA/IB should also guarantee that brochures/manuals/other information materials for potential applicants/FBs are understandable (for non-expert general public), clear, well-arranged, brief, terminologically unambiguous, and mutually interlinked; information for

<sup>65</sup> Means such as: websites of the MA/IB, central portal [www.strukturalni-fondy.cz](http://www.strukturalni-fondy.cz), media, conferences, information seminars thematically oriented, other information actions, Eurocentres, personal consultation with the MA/IB, interactive portal for enquiries and answers provided by the MA/IB, etc.

- potential applicants/FBs should be kept in a smaller number of documents so that applicants/FBs can easily orientate in them;
- potential applicants/FBs should be properly informed about the way they can communicate with the MA/IB (email address for enquiries, telephone line – free of charge if possible – for enquiries, portal for enquiries and answers, etc.).

Priority 5 – action: To enhance quality of projects

Specific measures to be taken:

- IBs and/or regional contact points (present in each NUTS III – regions) should provide applicants with: continuous consultancies over their project proposals, feedback and suggestions for improvements, help with documentation preparation;
- each MA/IB should establish a telephone line (free of charge, if possible) and email address for specific enquiries about projects development; establishment of an interactive portal for specific questions about projects development that would interlink the MA, the IB and applicants is also highly recommended;
- consultancy services provided by various consultancy firms that elaborate projects 'on key' for their clients should become eligible expenditures so that even small applicants could utilise services of these consultancy firms;
- applicants should be provided with (detail and smaller) seminars on each Priority Axis that would acquaint applicants with the target groups of the Areas of Intervention, the target groups' needs and resulting supported activities, and concrete examples of projects in order to help applicants to better focus and link their projects proposal with the target groups' demands;
- applicants should be provided with information seminars/trainings (financed from the OP's technical assistance budget or the OP TA) focused on project development/project management within the particular OP and thematically focused on key activities, eligible expenditures, budget composition, rules of state aid, monitoring and indicators, partnership, publicity, sustainability, and filling the web application with the aim to avoid methodical mistakes in projects development/implementation;
- each MA/IB should communicate features of a quality project application, should support experience exchange among projects submitters at workshops/seminars/conferences, and should provide applicants with best practice examples (i.e. successful projects); it is also desired to provide a model project with mistakes and to publish reasons of other projects rejection so that applicants can avoid frequent mistakes in project development.

Priority 6 – action: To reinforce financial, personnel and technical capacities of the small FBs

Specific measures to be taken:

- regressive reimbursement of projects should be replaced with either a phase-based projects financing when individual project phases are reimbursed or ex-ante payments<sup>66</sup>; this would remove the necessity to ensure financial sources for full ex-ante project co-financing, which is being a difficulty for small applicants in particular; it is possible to grant some advantages to small applicants in terms of quicker eligible expenditures reimbursement or providing some ex-ante payments, however, it has to be ensured that project submitted by a small applicant embodies high quality and importance for regional development so that these advantages can be granted;
- IBs and/or regional contact points (present in each NUTS III – regions) should provide small applicants with continuous consultancies over their project proposals and assist them in documentation preparation;
- consultancy services provided by various consultancy firms should become eligible expenditures so that even small applicants could utilise their services;
- small applicants should be provided with information seminars/trainings (financed from the OP's technical assistance budget or the OP TA) focused on project development/project management within the particular OP and thematically focused on key activities, eligible expenditures, budget composition, rules of state aid, monitoring and indicators, partnership, publicity, sustainability, and filling the web application with the aim to avoid methodical mistakes in projects development/implementation;
- cooperation of small and large entities in joint projects should overcome limited ability of small applicants to develop and manage projects on their own.

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<sup>66</sup> Each MA can decide on either ex-post payments to the FBs (regressive or phase-based reimbursement of the eligible expenditures) or ex-ante payments to the FBs, which means that this is not unified in all the OPs being implemented in the current programming period 2007-2013 in the CR.

Priority 7 – action: To make the SF projects assessment and selection more transparent and accelerated

*Specific measures to be taken:*

- the MRD should set that each MA/IB is obliged to publish on its website information related to projects assessment, supported and unsupported projects including number of points awarded, rationalisation of the decision made (support or rejection)<sup>67</sup> and amount of grant allocated to supported projects; each MA, based on the EC requirement, has to publish on its website a basic list of supported projects with the name of the entity, number of points awarded, and grant allocated;
- each MA/IB should provide full feedback related to assessment of both successful and unsuccessful projects, i.e. should inform the applicant about the points awarded and reasons for project support or rejection;
- each MA/IB should set precise, clear, measurable, non-discriminative and objective criteria for projects assessment that would be more focused on real quality of project than on formal quality of project; these criteria (plus assessment and selection procedures) should be set in each call for proposals (for each Area of Intervention), and thus well-known for each applicant;
- each MA/IB should publish internal methodical materials related to projects assessment and selection in order to guarantee maximum transparency of the whole selection process;
- evaluators should be professionals with required experience with projects assessment and/or practice with projects implementation; evaluators must be intensively trained and regularly educated and examined in order to become experts on the given OP's Priority Axis; number of projects evaluated by each evaluator should be increased whereas number of evaluators should not be increased (i.e. to utilise evaluators more often); evaluators' work must be monitored and evaluated and evaluators' financial evaluation and motivation must be enhanced in order to make them work effectively;
- the whole projects assessment and selection process should be accelerated (i.e. the time between project submission, project assessment, informing the applicant, and contract conclusion should be reduced from several months to several weeks) by obligatory monitoring the deadlines for these processes, by utilising the evaluators more intensively, and by setting sanctions for those evaluators who do not meet the deadlines;
- transparency of the whole SF projects assessment and selection in the CR can be maximally ensured by unifying projects assessment and selection mechanisms for all the OPs.

Priorities of actions that the CR should take in the next programming period 2014-2020 (i.e. measures that should be incorporated in the CR's programming documents for the next programming period 2014-2020):

Priority 1 – action: To simplify the SF implementation structure

*Specific measures to be taken:*

- to reduce the number of the OPs (and thus to reduce the extensive number of authorities involved in the SF implementation in the CR) in the next programming period 2014-2020 so that thematically related OPs are integrated<sup>68</sup> in the same way as it was in the shortened programming period 2004-2006; by implementing this, the number of the MAs and IBs will be significantly reduced;
- to reduce the number of the IBs of each OP in the next programming period 2014-2020; each OP should have preferably only one IB (if the focus of such an OP does not make this possible, the OP could have two IBs maximally);
- to consider an option of assigning the MRD (the National Coordination Authority) to be the only MA of all the SF Programmes (number of which would be significantly reduced) implemented in the CR in the next programming period 2014-2020; the individual ministries or other subjects (currently fulfilling the IB role – see Table 33) could be assigned to be the IBs implementing projects from the beginning till the end.

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<sup>67</sup> Publishing the reasons for project rejection will contribute to quality enhancement of projects in general.

<sup>68</sup> Thematic OPs being implemented in the current programming period 2007-2013 (see Table 33 in Appendix 4) could be simplified in the next programming period 2014-2020 in this manner: the OP Enterprise and Innovation should be joined with the OP Research and Development for Innovation; the OP Environment should be joined with the OP Transport; the OP Education for Competitiveness should be joined with the OP Human Resources and Employment; the OP Technical Assistance should be eliminated (technical issues can be treated in the technical assistance budgets of each OP); the Integrated OP should be eliminated (provided that the ROPs will remain).

Priority 2 – action: To simplify the SF projects administration

Specific measures to be taken:

- to simplify administrativeness related to project application elaboration: to remove the bureaucratically complex formal requirements of project applications; to limit a number of mandatory appendixes of project applications; to eliminate the necessity to fill in some information double; to eliminate those parts of projects applications that are not used for evidencing or assessing projects;
- to simplify administrativeness related to project implementation and control: to methodically simplify administration processes; to optimise the methodical documents; to improve methodical support of the FBs; to simplify monitoring reports;
- to simplify strict rules underlying the SF project implementation in the CR; to make these rules simple, clear, understandable, non-discouraging, and unified for all the OPs in the CR; to issue a unified methodology of the SF rules in the CR is highly recommended;
- to change the rules and conditions related to the OP implementation as least as possible (this requires to prepare the OP documentation properly before the start of the programming period so that no additional changes are necessary, however, if some changes have to be made, applicants/FBs must be promptly informed about these modifications);
- to shorten activities related to projects administration by reinforcing the SF implementation structure's administrative capacity; to mandatory observe deadlines in projects administration;
- to improve the SF Programmes documentation – each MA/IB should ensure that brochures/manuals/other information materials for potential applicants/FBs are understandable (for non-expert general public), clear, well-arranged, brief, terminologically unambiguous, and mutually interlinked; information for potential applicants/FBs should be kept in a smaller number of documents so that applicants/FBs can easily orientate in them.

Priority 3 – action: To simplify the SF projects financial management

Specific measures to be taken:

- to simplify administrative procedures related to eligible expenditures showing and related control of eligible expenditures (to remove duplicity in data showing, to remove necessity of providing several copies of accounting documents, to remove necessity of showing accounting documents to a certain limit of financial means spent); to simplify the monitoring reports and to focus these reports more on factual project implementation than on administrative requirements fulfilment;
- to conceptually manage the financial control with the aim to maximally reduce time and administrative demandingness hereof;
- to reduce the deadlines for eligible expenditures control (financial control and approval of monitoring reports and requests for payment) and eligible expenditures reimbursement (i.e. to shorten the period between claim and reimbursement as much as possible once the monitoring report is complete) by simplifying the audit of accounting documents, by recruiting (for the MA/IB) competent staff for the financial issues that is experienced with accounting and financial reporting in practice, by outsourcing financial control services for financial control of accounting documents and requests for payments; and to obligatory observe these deadlines;
- to replace regressive reimbursement of projects with either a phase-based projects financing when individual projects phases are reimbursed or ex-ante payments;
- to set unambiguous, clear and understandable methodology (unified for the OP's MA and IB) of interpretation of the eligible expenditures, value added tax, state aid, selection procedures, financial control procedures, financial relations between project partners; to ensure its liability;
- to better train the FBs in financial accounting related to the SF projects implementation so that the error rate of monitoring reports and requests for payments (contributing to delay in eligible expenditures reimbursement) is minimised;
- to unify the financial procedures (including unification of co-financing rate of the SF, national public financial means, and the private financial means of the FBs) of all the OPs.

Priority 4 – action: To better design the SF Programmes

Specific measures to be taken:

- to involve all the relevant stakeholders/partners in the CR's strategic documents (the NDP, the NSRF) preparation for the next programming period 2014-2020;
- to involve all the relevant stakeholders/partners in the CR's programming documents (the OPs) preparation for the next programming period 2014-2020 (developing the OPs, identifying which

- spatial areas should receive assistance, fixing targets for the intervention, fixing indicators, deciding on project selection criteria, and ex-ante OPs evaluation);
- to discuss the draft versions of these documents with these stakeholders<sup>69</sup> on meetings/public debates organised by the MRD (for the NDP and the NSRF preparation) and on meetings/round tables/seminars carried out by the individual MAs (for the individual OPs preparation), and to amend these documents accordingly.

**Priority 5 – action: To improve the indicator system**

**Specific measures to be taken:**

- to set relevant, logic, realistic, clear, simple, unambiguous, terminologically and contently unified indicators of the SF Programmes and projects that would be fulfilable and aggregable at a higher level of IS; indicators must as much as possible predicate the effects that the expended financial means will have, causality and meaningfulness of the indicators must, thus, be ensured; these indicators should not be changed during the programming period and should be preferably elaborate by external experts having experience with this;
- to elaborate simple, unambiguous, and understandable (for both projects submitters and projects administrators) definitions of indicators including explanation and setting processes and deadlines for their fulfilment, control, and management;
- to reduce the extensive number of indicators for the SF Programmes and projects assessment so that a simpler and clearer hierarchy of indicators is created.

**Priority 6 – action: To timely declare the SF Programmes**

**Specific measures to be taken:**

- to reduce the number of the OPs in the next programming period 2014-2020;
- to start with the preparation of the CR's programming documents (the NDP, the NSRF, the OPs) several years (3-4 years)<sup>70</sup> before the beginning of the next programming period 2014-2020 so that all the CR's programming documents (the NDP, the NSRF, the OPs) for the next programming period 2014-2020 are ready before 1<sup>st</sup> January 2014;
- to make the SF implementation structure ready before the beginning of the next programming period 2014-2020 in terms of having finished all the (internal) methodical guidelines and materials on the OPs implementation, having concluded a treaty between the MA and its IB(s) of each OP, and having ensured sufficient personnel capacity;
- to declare the first calls for proposals of all the OPs on 1<sup>st</sup> January 2014.

**RQ 2a: What actions should the CR take in order to improve the SF utilisation?**

Subchapter 6.3 (Table 26) summarises the following:

Actions that the CR should take to overcome the most restricting barriers to its SF successful utilisation commonly perceived by the MAs, the EC and other authors (documents review) and the small FBs (interviews): *to reinforce the SF implementation structure's administrative capacity* (i.e. to reinforce the implementation structure's personnel capacity by recruiting new competent staff; to reduce undesirable staff fluctuation by introducing a motivating system of remuneration (improved financial valuation) and introducing human resources development policies); *to improve publicity, informedness and access to information* (i.e. to improve information provision on the SF (information about the OPs, fields of aid, aid rules); to improve transparency and comprehensibility of information on the SF; to establish well-arranged and understandable information sources for applicants/FBs); *to reinforce financial, personnel and technical capacities of the small FBs* (i.e. to replace a regressive reimbursement of projects with a phase-based projects financing when individual project phases would be reimbursed; to reinforce the FBs' capacities and expertise; to support cooperation of small and large subjects within integrated projects); *to simplify the SF implementation structure* (i.e. to simplify the SF implementation structure by reducing the excessive number of the IBs); *to simplify the SF projects administration* (i.e. to simplify formal requirements

<sup>69</sup> Representatives of: relevant ministries; regional, local and urban authorities (from each NUTS III); NGOs (NGOs with various focus); economic, social and environmental partners; educational institutions; private sector; bodies representing civil society and bodies responsible for promoting equality between men and women.

<sup>70</sup> The time required for this preparation has to take into consideration: the time required for evaluation of the success of the OPs being implemented in the current programming period 2007-2013; the time required for the preparation of the programming documents and the time required for consultation on these programming documents with the relevant partners (see partnership principle) and related amending these programming documents; the time required for amending the programming documents according to the EC recommendations and requirements; the time required for a possible changes in the programming documents as a result of elections of either ministers or heads of local authorities in the CR.



and administrative complexity of projects applications; to simplify administrative complexity of projects implementation and to make it more efficient; to set clear and understandable rules for projects implementation; to change Programme conditions and rules as least as possible (and to inform applicants/FBs about them)); *to simplify the SF projects financial management* (i.e. to accelerate financial flows to the FBs by simplifying procedures of expenditures certification and by simplifying the control of eligible expenditures; to establish an effective, efficient, simpler and transparent system of financial flows, which would be the most favourable for the FBs).

Actions that the CR should take to overcome the most restricting barriers to its SF successful utilisation perceived by the MAs, the EC and other authors (documents review) but not by the small FBs (interview): *to reinforce communication, collaboration and coordination in the SF implementation structure* (i.e. to set mechanisms and conditions for a more intensive communication, collaboration and coordination within the implementation structure); *to enhance quality of projects* (i.e. to extend the offer of trainings for the FBs in the field of project development and management; to provide intensive support for applicants and project submitters (especially the small ones) during the project development in terms of continuous consultancies on project proposals, information activities, help with documentation preparation); *to make the SF projects assessment and selection more transparent and accelerated.*

Actions that the CR should take to overcome the most restricting barriers to its SF successful utilisation perceived by the small FBs (interviews) but not by the MAs, the EC and other authors (documents review): *to finish reform of the Czech public administration; to better design the SF Programmes* (i.e. to improve involvement of relevant parties in the SF Programmes preparation); *to improve the indicator system* (i.e. to rationalise the indicator system); *to timely declare the SF Programmes* (i.e. to timely prepare the CR's programming documents (before the start of the programming period) and to timely declare the SF Programmes (at the beginning of the programming period)).

Specific measures that the CR should take are summarised hereinbefore in answering RQ 2.

**RQ 2b: What actions (named in RQ 2a) has the CR already taken?**

Subchapter 4.4.5 (Figure 12) evaluates what of the actions, which the CR should take to overcome the most restricting barriers to its SF utilisation, the CR has already taken in the programming period 2007-2013.

The CR has taken at least partial steps so that:

- 7. *To improve publicity, informedness and access to information;*
- 8a. *To reinforce financial, personnel and technical capacities of the FBs;*
- 8b. *To enhance quality of projects.*

The CR has taken particular steps so that:

- 4b. *To reinforce the SF implementation structure's administrative capacity;*
- 4c. *To reinforce communication, collaboration and coordination in the SF implementation structure;* however, due to complex architecture of 24 OPs 2007-2013 these steps might not be significant enough.

**RQ 2c: What actions (named in RQ 2a) did the CR not take?**

Subchapter 4.4.6 (Figure 12) evaluates what of the actions, which the CR should take to overcome the most restricting barriers to its SF utilisation, the CR did not take in the programming period 2007-2013.

The CR did not take steps (significant enough) so that:

- 4. *To simplify the SF implementation structure;*
  - 5. *To simplify the SF projects administration;*
  - 5a. *To simplify the SF projects financial management;*
  - 5b. *To make the SF projects assessment and selection more transparent and accelerated;*
- so further considerable simplification and improvement is required.

### 7.3 Discussion

This subchapter discusses methods and results of this thesis and provides suggestions for a further research.

### **Methods used in this thesis**

The empirical part of this research consisted of two qualitative data collection and analysis phases. The first qualitative data collection phase – documents review – proved to be a valuable source of information on the SF implementation in the CR that either answered or contributed to answering the formulated RQs. Documents review fully fulfilled its role to provide guidelines on how to design the second qualitative data collection phase – interviews.

The aim of semi-structured face-to-face individual interviews was to find out what the FBs, which are experiencing SF utilisation problems, perceive as a difficulty in the SF utilisation and what according to them should be done to enhance the SF implementation in the CR.

Bearing in mind the limited expected number of interviews to be carried out (six interviews), randomly selected interviewed entities were carefully selected respecting two criteria: First, documents analysis discovered that the small FBs (small municipalities, small enterprises, small NGOs) are entities having difficulties with the SF utilisation as they have insufficient financial, personnel and technical capacities, thus it was necessary to focus on these entities in the interviews. Second, documents analysis revealed that the SF Programmes co-financed from the ESF in the CR (the OP HRD and SPD 3) faced considerable utilisation problems in the shortened programming period 2004-2006, thus it was desirable to focus in the interviews on the small FBs that implemented projects from one of these two particular SF Programmes. To summarise, altogether six interviews were conducted with the small FBs (two interviews with small municipalities, two with small enterprises, and two with small NGOs) that were randomly selected from published lists of implemented projects co-financed from the OP HRD and from the SPD 3.

The research methods used in this thesis (documents review, interviews) fit the objective of this research project.

### **Suggestions for further research with respect to research methods used**

In-depth elaborated documents review provided considerable amount of information suited this research project, and thus the point of the six conducted interviews was to supplement the information found in documents review. It would be beyond the scope of this thesis to conduct a large-scale empirical research. However, it might be suggested for a further research to consider a large-scale empirical research of a quantitative kind (survey) that would use the outcomes of in-depth documents review of this thesis and that would cover the following FBs:

- both the successful FBs (i.e. those whose projects were selected for co-financing from the SF) and unsuccessful FBs (i.e. those whose projects were not selected for co-financing from the SF), since conclusions of those FBs might vary;
- both the small FBs and large FBs since conclusions of those FBs might vary;
- FBs of all the SF Programmes implemented in the CR in the shortened programming period 2004-2006 as outlined in Table 32 in Appendix 4.

Such a large-scale empirical research might provide heterogeneous viewpoints from various FBs on barriers that prevent the CR from the SF successful utilisation and on actions that the CR should take in order to enhance its SF implementation. The hypotheses tested in the empirical research already showed that there might be some differences between the small and large FBs (see hypothesis 4 in Table 27) and between the successful and unsuccessful FBs (see hypothesis 7 in Table 27). Statistical analysis of such a large-scale quantitative research would then propose the most restricting barriers preventing the CR from the SF successful utilisation and subsequently actions that should be taken to overcome these barriers that could be compared and added to the results of documents review of this thesis.

This thesis was focused on all the SF Programmes implemented in the CR in the shortened programming period 2004-2006 in terms of identifying barriers preventing the CR from their successful utilisation and suggesting desired measures to be taken to overcome these barriers. This research project discovered the most restricting barriers to the SF Programmes successful implementation in the CR and proposed measures that should be taken to overcome them. It would be beyond the scope of this thesis to analyse in detail each of the most restricting barriers, identified in this research project (see Table 25), as each SF Programme implemented in the CR has different implementation structure and different implementation procedures. Thus, it is recommended for a further research to investigate each of these most restricting barriers at the level of one OP (or a few OPs co-financed from the same SF) in a case study manner to determine more detailed measures that can be taken to smooth the particular SF Programme(s) implementation in the CR.

### **Results of this thesis**

Results of this thesis correspond with the objective of this research project, i.e. the research project provided measures that might improve the effectiveness of the SF utilisation in the CR in general by investigating the inner causes of the utilisation problems.

This research project was aimed at barriers restricting all the SF Programmes implementation in the CR in the shortened programming period 2004-2006. Thus, actions (measures) suggested for overcoming these barriers suit each SF Programme in general. Bearing this in mind, results of this thesis fit its research objective. Further research is advisable in order to bring more detailed measures that could improve the particular OP(s) utilisation in the CR by analysing a particular OP (or a few OPs co-financed from the same SF).

It has to be emphasised that the second data collection phase of this research project was aimed at the small FBs (who were revealed to face the SF utilisation problems in the shortened programming period 2004-2006) not at all the FBs in general. And thus, results of the second data collection phase (interviews) and results of those parts of this thesis that are based on the interviews results cannot be applied to all the FBs. Further research suggested hereinbefore, which would focus on a more wide scale of the FBs, could provide diverse results.

### **7.4 Conclusion**

Chapter 7 concluded this research project. *The objective of this research project was to provide measures that might improve the effectiveness of the SF utilisation in the CR by investigating the inner causes of the utilisation problems.* This objective was accomplished by answering RQs that were set for this thesis. Answers to RQs, based on the outcomes of the theoretical and empirical part of the thesis, were summarised in subchapter 7.2. Subchapter 7.3 discussed methods and results of this thesis and provided suggestions for a further research that might be conducted.

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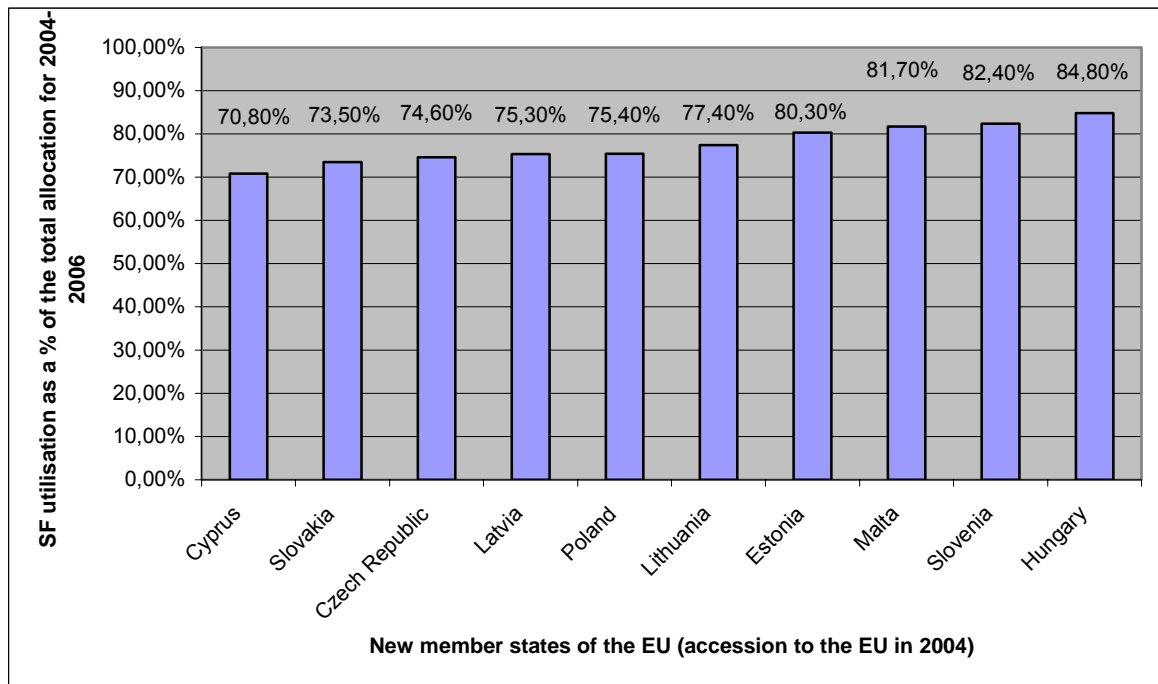
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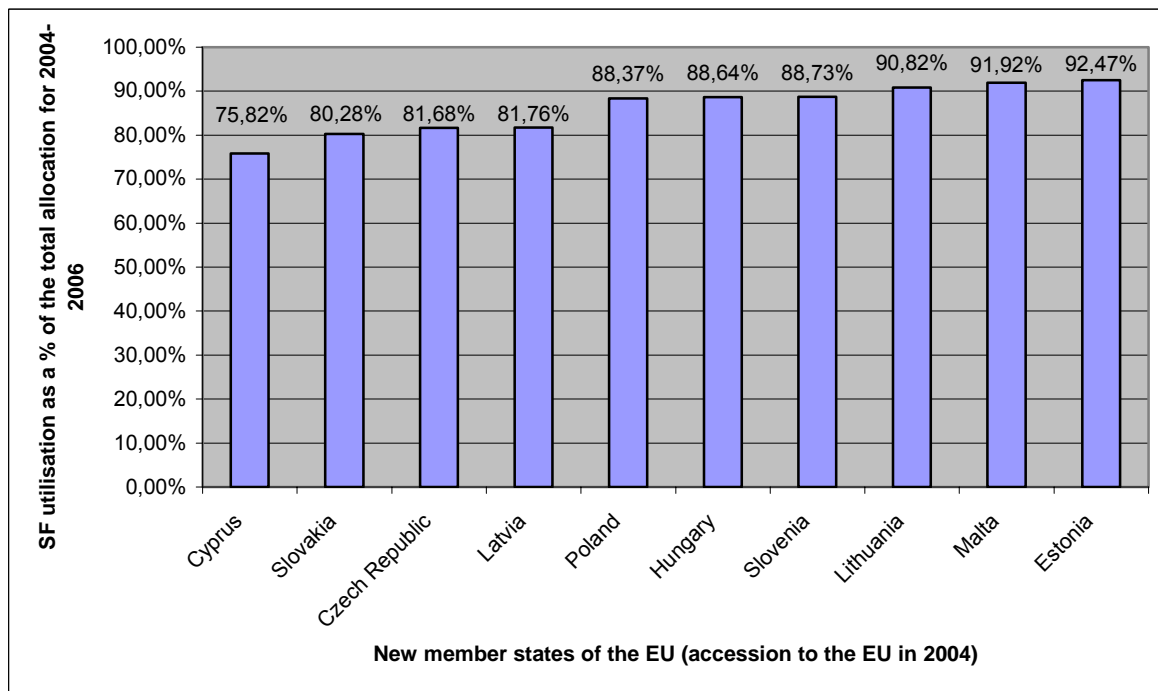
[http://www.csas.cz/banka/content/inet/internet/en/FondyEU\\_cerpani.pdf](http://www.csas.cz/banka/content/inet/internet/en/FondyEU_cerpani.pdf) (20-09-2008)

## Appendixes

## Appendix 1: SF utilisation in the shortened programming period 2004-2006



Graph 1: SF utilisation in the shortened programming period 2004-2006 (as per 31<sup>st</sup> March 2008)  
Source: Adopted from a graph provided by the Directorate General for Regional Policy



Graph 2: SF utilisation in the shortened programming period 2004-2006 (as per 23<sup>rd</sup> September 2008)<sup>71</sup>  
Source: Adopted from data provided by the Directorate General for Regional Policy

<sup>71</sup> Percentage in both Graph 1 and Graph 2 indicates invoiced payments received by the member state – i.e. payment claims for projects, which have already been implemented. The Community Initiatives allocations are excluded from the SF allocation for 2004-2006 in both Graph 1 and Graph 2.

## Appendix 2: Absorption model

Model<sup>72</sup> is defined as  $F_i = \alpha P_i^\beta I_i^\gamma \rightarrow \ln F_i = \ln \alpha + \beta \ln P_i + \gamma \ln I_i$ .

Table 29: Absorption model: the EU-10 data - population, income (GDP), the SF allocations

Member state of the EU-10	Population of a member state i (absolute number) (as per 1 <sup>st</sup> January 2003)	P <sub>i</sub> = population share of a member state i (percentage)	Income (GDP) of a member state i (absolute number) (EUR at 2003 market prices)	I <sub>i</sub> = income share (GDP) of a member state i (percentage)	Reality	Reality	Model (predicted values)	Model (predicted values)
					Funding allocated to a member state i (absolute number) (EUR at 2004 prices)	F <sub>i</sub> = funding allocated to a member state i (percentage)	Funding allocated to a member state i (absolute number) (EUR at 2004 prices)	Funding allocated to a member state i (percentage)
<b>Cyprus</b>	715100	0.96	1178500000	2.60	59500000.0	0.37	74993858.0	0.47
<b>Czech Republic</b>	10203300	13.75	80924100000	17.85	<b>1685140000.0</b>	10.56	<b>1712093822.0</b>	10.73
<b>Estonia</b>	1356000	1.83	8692600000	1.92	386030000.0	2.42	311144730.0	1.95
<b>Hungary</b>	10142400	13.67	74681600000	16.47	2094690000.0	13.13	1817404346.0	11.39
<b>Latvia</b>	2331500	3.14	9977800000	2.20	648860000.0	4.07	738769282.0	4.63
<b>Lithuania</b>	3462600	4.67	16452100000	3.63	929530000.0	5.83	976515768.0	6.12
<b>Malta</b>	397300	0.54	4421400000	0.98	66800000.0	0.42	60633332.0	0.38
<b>Poland</b>	38218500	51.51	191643800000	42.27	8631100000.0	54.09	8823745420.0	55.30
<b>Slovakia</b>	5379200	7.25	29465200000	6.50	1186890000.0	7.44	1302021024.0	8.16
<b>Slovenia</b>	1995000	2.69	25327900000	5.59	267600000.0	1.68	245724556.0	1.54
<b>Total EU-10</b>	<b>74200900</b>	<b>100.00</b>	<b>453371500000</b>	<b>100.00</b>	<b>15956140000.0</b>	<b>100.00</b>	<b>16063046138.0</b>	<b>100.67</b>

Source: Eurostat, 2005 (population); Eurostat, 2003 (GDP); European Commission, 2004 (funding); author's own calculation

With linear regression (SPSS package) coefficients  $\alpha$ ,  $\beta$ ,  $\gamma$  were estimated as:  $\alpha = 0.147$  ( $t = 1.540$ ),  $\beta = 1.816$  ( $t = 15.744$ ),  $\gamma = -0.879$  ( $t = -6.568$ ).  $R^2 = 0.992$ . For a graphical presentation of results see Graph 4 in Appendix 3.

The same model can be used for a comparison of the SF real and model allocations for the EU-25. Due to the different lengths of the programming periods for the EU-15 (programming period 2000-2006) and the EU-10 (shortened programming period 2004-2006), indicative funding allocated to a member state  $i$  in Table 30 is calculated per year<sup>73</sup> in order to make the comparison possible. With linear regression coefficients were estimated as:  $\alpha = -0.422$  ( $t = -2,639$ ),  $\beta = 1.431$  ( $t = 7.194$ ),  $\gamma = -0.334$  ( $t = -2.050$ ).  $R^2 = 0.868$ . For a graphical presentation of results see Graph 3 hereinafter.

<sup>72</sup>  $F_i$  = funds allocated to a member state  $i$  for the shortened programming period 2004-2006 (excluding the CF, therefore including only the SF),  $P_i$  = population share of a member state  $i$ , and  $I_i$  = income share (GDP) of a member state  $i$ .

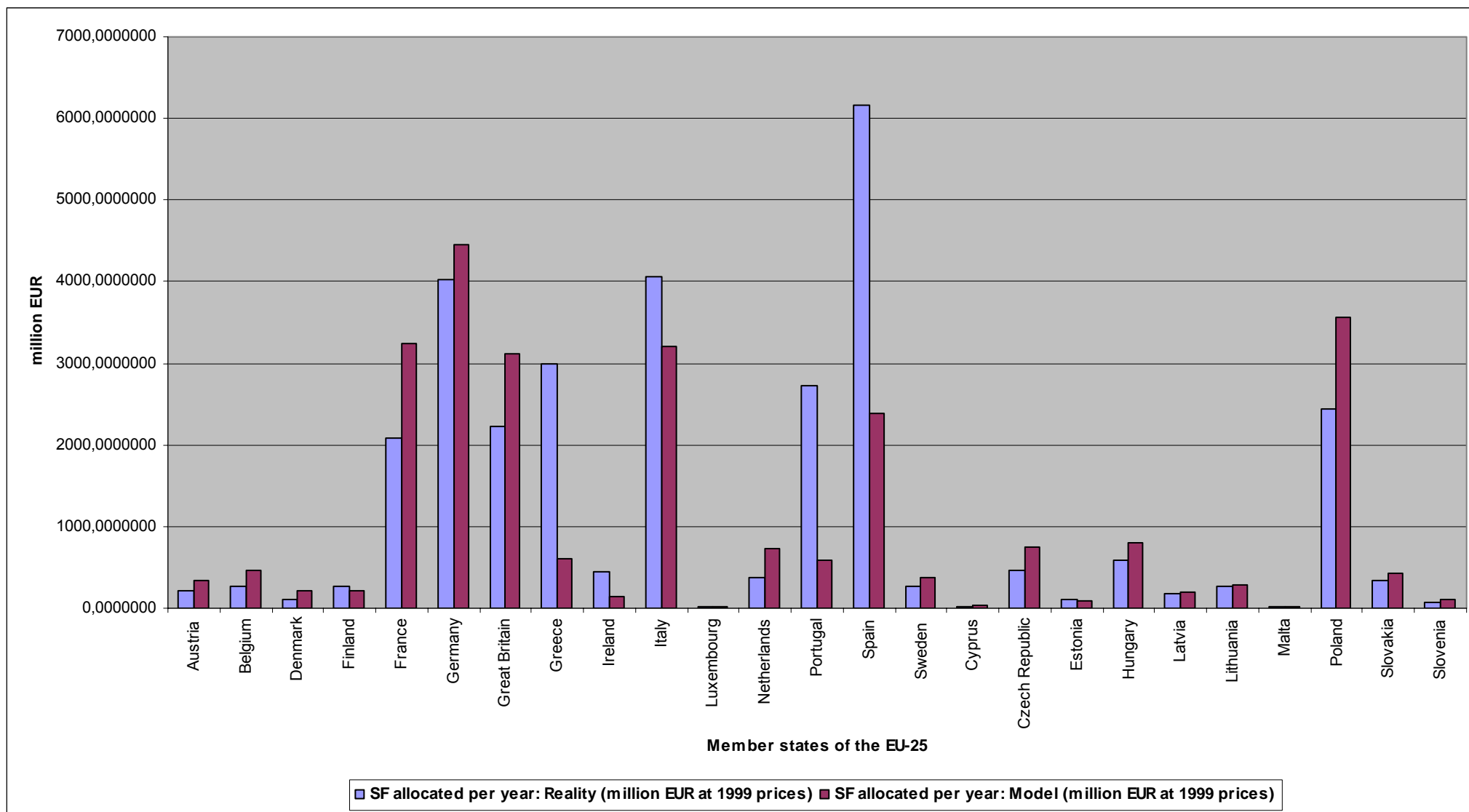
<sup>73</sup> The SF allocations for a member state  $i$  of the EU-15 for the programming period 2000-2006 are divided by seven in order to get the SF indicative allocations per year. The SF allocations for a member state  $i$  of the EU-10 for the shortened programming period 2004-2006 are divided by three in order to get the SF indicative allocations per year.

Table 30: Absorption model: the EU-25 data - population, income (GDP), the SF allocations

Member state of the EU-25	Population of a member state i (absolute number) (as per 1 <sup>st</sup> January 1999)	P <sub>i</sub> = population share of a member state i (percentage)	Income (GDP) of a member state i (absolute number) (EUR at 1999 market prices)	I <sub>i</sub> = income share (GDP) of a member state i (percentage)	Reality	Reality	Model (predicted values)	Model (predicted values)
					Funding allocated to a member state i per year (absolute number) (EUR at 1999 prices)	F <sub>i</sub> = funding allocated to a member state i per year (percentage)	Funding allocated to a member state i per year (absolute number) (EUR at 1999 prices)	Funding allocated to a member state i per year (percentage)
<b>Austria</b>	7982461	1.77	200025300000	2.35	210428571.4	0.69	343990773.3	1.1
<b>Belgium</b>	10213752	2.27	238248000000	2.80	261285714.3	0.85	460701928.6	1.5
<b>Denmark</b>	5313577	1.18	163199900000	1.92	106428571.4	0.35	205780194.8	0.7
<b>Finland</b>	5159646	1.14	122747000000	1.44	262285714.3	0.85	214994233.3	0.7
<b>France</b>	60158533	13.34	1367966000000	16.07	2088571428.6	6.80	3246412923.3	10.6
<b>Germany</b>	82037011	18.19	2012000000000	23.63	4022285714.3	13.10	4450380630.0	14.5
<b>Great Britain</b>	58579685	12.99	1384377800000	16.26	2233571428.6	7.27	3114345037.1	10.1
<b>Greece</b>	10861402	2.41	131936100000	1.55	2994428571.4	9.75	614269238.1	2.0
<b>Ireland</b>	3732201	0.83	90658000000	1.06	441142857.1	1.44	150495963.3	0.5
<b>Italy</b>	56909109	12.62	1127091100000	13.24	4069142857.1	13.25	3200342730.5	10.4
<b>Luxembourg</b>	427350	0.09	19886800000	0.23	11142857.1	0.04	9214038.6	0.0
<b>Netherlands</b>	15760225	3.50	386193000000	4.54	376428571.4	1.23	730980393.3	2.4
<b>Portugal</b>	10148883	2.25	114193000000	1.34	2718428571.4	8.85	583555776.2	1.9
<b>Spain</b>	39802827	8.83	579942000000	6.81	6155285714.3	20.04	2395650028.6	7.8
<b>Sweden</b>	8854322	1.96	241154800000	2.83	272571428.6	0.89	371632889.0	1.2
<b>Cyprus</b>	682862	0.15	9163300000	0.11	15800000.0	0.05	27642115.7	0.1
<b>Czech Republic</b>	10289621	2.28	56414600000	0.66	<b>467300000.0</b>	1.52	<b>752479816.7</b>	2.5
<b>Estonia</b>	1379237	0.31	5334900000	0.06	109533333.3	0.36	95211731.9	0.3
<b>Hungary</b>	10253416	2.27	45074600000	0.53	588466666.7	1.92	804692701.9	2.6
<b>Latvia</b>	2399248	0.53	6817500000	0.08	184733333.3	0.60	190423463.8	0.6
<b>Lithuania</b>	3536401	0.78	10240500000	0.12	264033333.3	0.86	285635195.7	0.9
<b>Malta</b>	378518	0.08	3661100000	0.04	18633333.3	0.06	15356731.0	0.1
<b>Poland</b>	38666983	8.58	157469800000	1.85	2440233333.3	7.95	3556618888.6	11.6
<b>Slovakia</b>	5393382	1.20	19164500000	0.23	331266666.7	1.08	426917120.5	1.4
<b>Slovenia</b>	1978334	0.44	20409700000	0.24	70033333.3	0.23	101354424.3	0.3
<b>Total EU-25</b>	<b>450898986</b>	<b>100.00</b>	<b>8513369300000</b>	<b>100.00</b>	<b>30713461905.8</b>	<b>100.00</b>	<b>26349078968.1</b>	<b>85.8</b>

Source: Eurostat, 1999b (population); Eurostat, 1999a (GDP); European Commission, 2000 (funding EU-15); European Commission, 2003 (funding EU-10); author's own calculation





Graph 3: Reality and model results: The SF indicative allocations for the EU-25 per year of the programming period 2000-2006 (for the EU-15) and of the shortened programming period 2004-2006 (for the EU-10) respectively  
 Source: Author's own elaboration

### Appendix 3: Utilisation model

Model<sup>74</sup> is defined as  $F_i = \alpha P_i^\beta I_i^\gamma \rightarrow \ln F_i = \ln \alpha + \beta \ln P_i + \gamma \ln I_i$ .

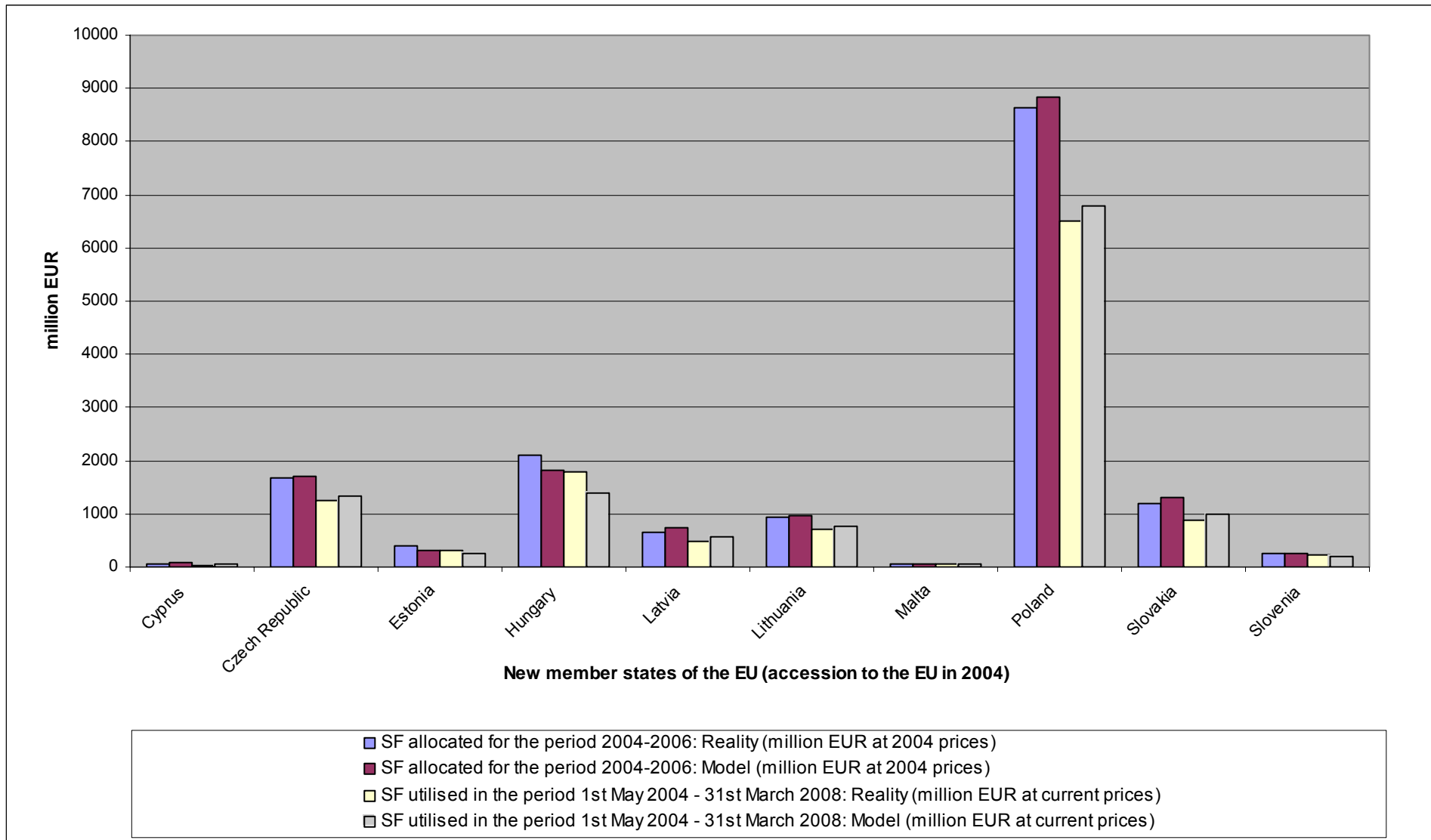
Table 31: Utilisation model: the EU-10 data - population, income (GDP), the SF utilisation

Member state of the EU-10	Population of a member state i (absolute number) (as per 1 <sup>st</sup> January 2003)	P <sub>i</sub> = population share of a member state i (percentage)	Income (GDP) of a member state i (absolute number) (EUR at 2003 market prices)	I <sub>i</sub> = income share (GDP) of a member state i (percentage)	Reality	Reality	Model (predicted values)	Model (predicted values)
					Funding utilised by a member state i in the period 1 <sup>st</sup> May 2004 – 31 <sup>st</sup> March 2008 (absolute number) (at current prices)	F <sub>i</sub> = funding utilised by a member state i in the period 1 <sup>st</sup> May 2004 – 31 <sup>st</sup> March 2008 (percentage)	Funding utilised by a member state i (absolute number) (EUR at current prices)	Funding utilised by a member state i (percentage)
<b>Cyprus</b>	715100	0.96	11785000000	2.60	42126000.0	0.34	57569637.3	0.47
<b>Czech Republic</b>	10203300	13.75	80924100000	17.85	<b>1257114440.0</b>	10.26	<b>1321651886.0</b>	10.79
<b>Estonia</b>	1356000	1.83	8692600000	1.92	309982090.0	2.53	242527408.2	1.98
<b>Hungary</b>	10142400	13.67	74681600000	16.47	1776297120.0	14.50	1403719241.0	11.46
<b>Latvia</b>	2331500	3.14	9977800000	2.20	488591580.0	3.99	572021715.3	4.67
<b>Lithuania</b>	3462600	4.67	16452100000	3.63	719456220.0	5.87	755754600.3	6.17
<b>Malta</b>	397300	0.54	4421400000	0.98	54575600.0	0.45	47770550.1	0.39
<b>Poland</b>	38218500	51.51	191643800000	42.27	6507849400.0	53.13	6785867886.0	55.40
<b>Slovakia</b>	5379200	7.25	29465200000	6.50	872364150.0	7.12	1005631324.0	8.21
<b>Slovenia</b>	1995000	2.69	25327900000	5.59	220502400.0	1.80	191082200.4	1.56
<b>Total EU-10</b>	<b>74200900</b>	<b>100.00</b>	<b>453371500000</b>	<b>100.00</b>	<b>12248859000.0</b>	<b>100.00</b>	<b>12383596449.0</b>	<b>101.10</b>

Source: Eurostat, 2005 (population); Eurostat, 2003 (GDP); data provided by the Directorate General for Regional Policy (funding); author's own calculation

With linear regression (SPSS package) coefficients  $\alpha$ ,  $\beta$ ,  $\gamma$  were estimated as:  $\alpha = 0.160$  ( $t = 1.195$ ),  $\beta = 1.811$  ( $t = 11.280$ ),  $\gamma = -0.877$  ( $t = -4.707$ ).  $R^2 = 0.985$ . For a graphical presentation of results see Graph 4 below.

<sup>74</sup> F<sub>i</sub> = funds utilised by a member state i in the shortened programming period 2004-2006 (excluding the CF, therefore including only the SF), P<sub>i</sub> = population share of a member state i, and I<sub>i</sub> = income share (GDP) of a member state i.



Graph 4: Reality and model results: The SF allocations to the EU-10 for the period 2004-2006, and the SF utilisation of the EU-10 in the period 1st May 2004 – 31st March 2008  
 Source: Author's own elaboration

## Appendix 4: Programmes co-financed from the SF in the CR

Table 32: Programmes designed by the CR and co-financed via the SF in the shortened programming period 2004-2006

	OP/SPD	Objective	SF	Eligibility NUTS II/ NUTS III in the CR	MA	IBs	FBs
OPs	<i>OP Industry and Enterprise</i>	Objective 1	ERDF	7 Cohesion Regions/ 13 regions	MIT	CzechInvest; CzechTrade; Czech Energy Agency; Czech-Moravian Guarantee and Development Bank	Regional authorities; municipalities; NGOs; micro, small and medium-sized enterprises; those carrying out business on a self-employed basis (on trade licence certificate)
	<i>OP Infrastructure</i>	Objective 1	ERDF	7 Cohesion Regions/ 13 regions	ME	MT; State Environmental Fund	Regional authorities; municipalities; state organisations; NGOs; micro, small and medium-sized enterprises; those carrying out business on a self-employed basis (on trade licence certificate)
	<i>OP Human Resources Development</i>	Objective 1	ESF	7 Cohesion Regions/ 13 regions	MLSA	Employment Services Administration; MEYS; Civic Society Development Foundation; National Training Fund (Technical Assistance Agency)	Regional authorities; municipalities; state organisations; NGOs; micro, small and medium-sized enterprises; those carrying out business on a self-employed basis (on trade licence certificate)
	<i>OP Rural Development and Multifunctional Agriculture</i>	Objective 1	EAGGF, FIFG	7 Cohesion Regions/ 13 regions	MoA	State Agricultural Intervention Fund	Regional authorities; municipalities; state organisations; NGOs; micro, small and medium-sized enterprises; those carrying out business on a self-employed basis (on trade licence certificate)
	<i>Joint Regional OP</i>	Objective 1	ERDF, ESF	7 Cohesion Regions/ 13 regions	MRD	CzechInvest; CRD; Regional Councils of the Cohesion Regions	Regional authorities; municipalities; NGOs; micro, small and medium-sized enterprises; those carrying out business on a self-employed basis (on trade licence certificate)
SPDs	<i>SPD for Objective 2</i>	Objective 2	ERDF	Prague Cohesion Region/ Capital City of Prague	MRD	CRD; Prague City Hall	State organisations; NGOs; micro, small and medium-sized enterprises; those carrying out business on a self-employed basis (on trade licence certificate)
	<i>SPD for Objective 3</i>	Objective 3	ESF	Prague Cohesion Region/ Capital City of Prague	MLSA	Prague City Hall; Employment Services Administration; Civic Society Development Foundation	State organisations; NGOs; micro, small and medium-sized enterprises; those carrying out business on a self-employed basis (on trade licence certificate)

Source: Adopted from European Union Funds website, 2006. Note: CRD = Centre for Regional Development of the CR; MC = Ministry of Culture of the CR; ME = Ministry of Environment of the CR; MEYS = Ministry of Education, Youth and Sports of the CR; MH = Ministry of Health of the CR; MI = Ministry of Interior of the CR; MIT = Ministry of Industry and Trade of the CR; MLSA = Ministry of Labour and Social Affairs of the CR; MoA = Ministry of Agriculture of the CR; MT = Ministry of Transport of the CR.

Table 33: Programmes designed by the CR and co-financed via the SF in the programming period 2007-2013

	OP	Objective	SF	Eligibility NUTS II/ NUTS III in the CR	MA	IBs
Thematic OPs	<i>OP Education for Competitiveness</i>	Convergence	ESF	7 Cohesion Regions/13 regions	MEYS	Czech Education and Research Agency (individual projects); regions (global grants)
	<i>OP Enterprise and Innovation</i>	Convergence	ERDF	7 Cohesion Regions/13 regions	MIT	CzechInvest; Czech-Moravian Guarantee and Development Bank
	<i>OP Environment</i>	Convergence	ERDF, CF	7 Cohesion Regions/13 regions	ME	State Environmental Fund
	<i>OP Human Resources and Employment</i>	Convergence	ESF	7 Cohesion Regions/13 regions	MLSA	MLSA; MI; MIT; regions
	<i>OP Research and Development for Innovation</i>	Convergence	ERDF	7 Cohesion Regions/13 regions	MEYS	Czech Education and Research Agency
	<i>OP Technical Assistance</i>	Convergence	ERDF	7 Cohesion Regions/13 regions	MRD, MF, CRD	CRD
	<i>OP Transport</i>	Convergence	ERDF, CF	7 Cohesion Regions/13 regions	MT	State Fund of Transport Infrastructure
<i>Integrated OP</i>	Convergence	ERDF	7 Cohesion Regions/13 regions	MRD	CRD; MRD; MLSA; MH; MC; MI	

	OP	Objective	SF	Eligibility NUTS II/ NUTS III in the CR <sup>75</sup>	MA	IBs
Regional OPs ("ROP")	<i>ROP NUTS II Central Bohemia</i>	Convergence	ERDF	Central Bohemia Cohesion Region/1 region	Regional Council of the Central Bohemia Cohesion Region	---
	<i>ROP NUTS II Central Moravia</i>	Convergence	ERDF	Central Moravia Cohesion Region/2 regions	Regional Council of the Central Moravia Cohesion Region	---
	<i>ROP NUTS II Moravia-Silesia</i>	Convergence	ERDF	Moravia-Silesia Cohesion Region/1 region	Regional Council of the Moravia-Silesia Cohesion Region	---
	<i>ROP NUTS II Northeast</i>	Convergence	ERDF	Northeast Cohesion Region/3 regions	Regional Council of the Northeast Cohesion Region	---
	<i>ROP NUTS II Northwest</i>	Convergence	ERDF	Northwest Cohesion Region/2 regions	Regional Council of the Northwest Cohesion Region	---
	<i>ROP NUTS II Southeast</i>	Convergence	ERDF	Southeast Cohesion Region/2 regions	Regional Council of the Southeast Cohesion Region	---
	<i>ROP NUTS II Southwest</i>	Convergence	ERDF	Southwest Cohesion Region/2 regions	Regional Council of the Southwest Cohesion Region	---
OPs Prague	<i>OP Prague Adaptability</i>	Regional Competitiveness and Employment	ESF	Prague Cohesion Region/Capital City of Prague	Capital City of Prague Magistrate	---
	<i>OP Prague Competitiveness</i>	Regional Competitiveness and Employment	ERDF	Prague Cohesion Region/Capital City of Prague	Capital City of Prague Magistrate	---
European Territorial Cooperation	<i>OP Cross-Border Cooperation CR – Austria</i>	European Territorial Cooperation	ERDF	South Bohemian Region, Vysočina Region, South Moravian Region	Province of Lower Austria Establishment	Common Technical Secretariat; regions in the CR; establishments in Austria
	<i>OP Cross-Border Cooperation CR – Bavaria</i>	European Territorial Cooperation	ERDF	Karlovy Vary Region, Pilsen Region, South Bohemian Region	Bavarian Ministry for Economic Affairs, Infrastructure, Transport and Technology	Common Technical Secretariat in Bavaria
	<i>OP Cross-Border Cooperation CR – Poland</i>	European Territorial Cooperation	ERDF	Liberec Region, Hradec Králové Region, Pardubice Region, Olomouc Region, Moravian Silesian Region	MRD	Common Technical Secretariat in the CR; regions in the CR; authorities in Poland
	<i>OP Cross-Border Cooperation CR – Saxony</i>	European Territorial Cooperation	ERDF	Karlovy Vary Region, Ústí Region, Liberec Region	Saxon State Ministry for Economy and Labour	Common Technical Secretariat in Saxony; regions in the CR
	<i>OP Cross-Border Cooperation CR – Slovakia</i>	European Territorial Cooperation	ERDF	Moravian-Silesian Region, Zlín Region, South Moravian Region	Ministry of Construction and Regional Development of Slovakia	Common Technical Secretariat in Slovakia; regions in the CR and Slovakia
	<i>OP Interregional Cooperation</i>	European Territorial Cooperation	ERDF	All the EU member states + Norway, Switzerland	Conseil Régional Nord - Pas de Calais in France	Common Technical Secretariat in France
	<i>OP Transnational Cooperation Central Europe</i>	European Territorial Cooperation	ERDF	The CR, Austria, Poland, eastern part of Germany, Hungary, Slovenia, Slovakia, southern part of Italy, part of Ukraine	Amt der Wiener Landesregierung in Austria	Common Technical Secretariat in Austria

Source: Adopted from European Union Funds website, 2007b.

<sup>75</sup> Convergence Objective: all the Cohesion Regions of the CR with exception of Prague Cohesion Region are involved. Regional Competitiveness and Employment Objective: Prague Cohesion Region is involved.

## Appendix 5: Interview protocol

For the purpose of the diploma thesis, whose objective is to provide measures that might improve the effectiveness of the SF utilisation in the CR by investigating the inner causes of the utilisation problems, it is desired to find out what the FBs perceive as a difficulty in the SF utilisation and what according to them should be done to enhance the SF implementation in the CR. The interview includes open-ended questions, which are indicated hereinafter. The expected length of the interview is 30 minutes. The names of the interviewed entities and interviewed persons will not be mentioned in the throughout thesis in order to ensure confidentiality.

### General information about the interviewed entity

Name of the municipality/enterprise/NGO:  Municipality  Enterprise  NGO \_\_\_\_\_  
Address: \_\_\_\_\_  
Number of inhabitants/employees: \_\_\_\_\_  
Name and function of the interviewee: \_\_\_\_\_  
Date: \_\_\_\_\_

### Interview questions

*Note: SF Programme is understood as Operational Programme or Single Programming Document.*

**1. What is the name of the SF Programme, which your entity drew aid from in the shortened programming period 2004-2006?**

**2. Which difficulties did your entity face during development of your project co-financed from the SF?**

**3. Which difficulties did your entity face during implementation of your project co-financed from the SF?**

**4. What according to you should the CR do to improve the SF utilisation?**

**5. Hereinafter, list of potential causes of the SF utilisation problems in the CR is indicated. Please discuss, based on your experience/perspective, the level of your agreement or disagreement with each of these.**

- Insufficient harmonisation of the Czech and European legislation concerning the SF

- Unreformed Czech public administration

- Non-specific focus and low-quality design of the SF Programmes

- *Insufficient communication and cooperation between the Czech government and the regional authorities in the SF Programmes preparation*
- *Insufficient involvement of relevant parties in the SF Programmes preparation*
- *Complex SF implementation structure involving too many IBs*
- *Late and slow SF Programmes start-up due to delayed approval of the CR's programming documents*
- *Insufficient SF implementation structure's administrative capacity contributing to slackness of the SF utilisation process*
- *Insufficient communication, collaboration and coordination in the SF implementation structure*
- *Complex SF projects administration*
- *Lengthy and administrative-demanding process of eligible expenditures reimbursement*
- *Non-transparent SF projects assessment and selection*
- *Ineffective, user-unfriendly and non-transparent monitoring system of the SF*
- *Irrelevant, unrealistic and complicated indicators of the SF Programmes and projects*
- *Insufficient informedness of applicants about the SF Programmes, fields of aid and aid rules*
- *Insufficient financial capacities of small applicants to develop and manage quality projects*
- *Insufficient personnel and technical capacities of small applicants to develop and manage quality projects*
- *Insufficient quality of projects submitted by applicants*
- *Lack of interest of applicants in the SF Programmes*
- *Other, please indicate:*

Any further comments/questions?

Thank you for your cooperation in this interview.