

Mid-term Evaluation of Physical and Financial Progress of the National Strategic Reference Framework

Programming Period 2007 – 2013

Final Report

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List of Abbreviations

AA	Audit Authority
AAE	Authorised Audit Entity
ARS/ASOA	Aid Registration System/Administration of State-Owned Assets
BSC	Balanced Scorecard
CBA	Cost-benefit analysis
ČD	České dráhy (Czech Railways)
CF	Cohesion Fund
CT	Combined transport
DGA	Decision to grant assistance
EA	Evaluation area
EC	European Commission
EC	European Community
ERDF	European Regional Development Fund
ESF	European Social Fund
EU	European Union
GA	Government Agency
GFD	General Financial Directorate
HT	Horizontal theme
IB	Intermediate Body
IOP	Integrated Operational Programme
IUDP	Integrated Urban Development Plan
MA	Managing Authority
MoC	Ministry of Culture
MoF	Ministry of Finance
MoI	Ministry of Interior
MoLSA	Ministry of Labour and Social Affairs
MoT	Ministry of Transport
MRD	Ministry for Regional Development
NCA	National Coordination Authority
NCI	National Code list of Indicators
NHI	National Heritage Institute
NSRF	National Strategic Reference Framework
OP E	OP Environment
OP EC	OP Education for Competitiveness
OP EI	OP Enterprise and Innovation

OP HRE	OP Human Resources and Employment
OP PA	OP Prague Adaptability
OP PC	OP Prague Competitiveness
OP RDI	OP Research and Development for Innovations
OP T	OP Transport
OP TA	OP Technical Assistance
OP	Operational Programme
OPC	Office for the Protection of Competition
PA	Priority axis
PC	Public contract
PCA	Paying and Certifying Authority
PR	Payment request
RC	Regional Council
RDI	Research, Development and Innovation
RES	Renewable Energy Sources
ROP CB	ROP NUTS II Central Bohemia
ROP CM	ROP NUTS II Central Moravia
ROP MS	ROP NUTS II Moravia-Silesia
ROP NE	ROP NUTS II Northeast
ROP NW	ROP NUTS II Northwest
ROP SE	ROP NUTS II Southeast
ROP SW	ROP NUTS II Southwest
SEF	State Environmental Fund
SF	Structural Funds
SHDF	State Housing Development Fund
SMEs	Small and medium-sized enterprises
T/PP	Tender/Public procurement
TFA	Territorial Financial Authority
WWTP	Wastewater treatment plant



1 Introduction

The Czech Republic, the Ministry for Regional Development and KPMG Czech Republic, s.r.o. signed a contract on 15 July, 2011 on the implementation of the project called “Mid-term evaluation of physical and financial progress of the National Strategic Reference Framework“. The project was implemented in the period from July 2011 to March 2012.

The subject matter of this public contract was the evaluation of the achieved physical and financial progress in the implementation of the National Strategic Reference Framework and the operational programmes as well as the assessment of potential accomplishment of the objectives set out in NSRF and OPs in 2007–2013 programming period in the context of socio-economic changes.

The evaluator believes that the results of the conducted evaluation shall strongly contribute to the achievement of set out objectives, and on this occasion would like to express thanks to all the staff of the National Coordination Authority, the Managing Authorities and other implementation structure staff for their willingness and cooperation throughout the process of evaluation.

2 Project Objectives and Outline

Although in 2007 – 2013 programming period the mid-term evaluation is not an obligation ensuing from the Regulation, the European Commission has recommended to the Czech Republic to perform the evaluation and to evaluate the progress so far achieved in the NSRF. The Mid-term evaluation of physical and financial progress of the National Strategic Reference Framework should constitute one of the supporting documents for adopting a decision on potential reallocation of funds that should be based on a thorough evaluation. The midterm evaluation is a component part of the NSRF Evaluation Plan.

The core objective of the “Mid-term evaluation of physical and financial progress of the National Strategic Reference Framework” project was to conduct an evaluation of the to date physical and financial progress in the implementation of NSRF and OPs as well as the assessment of potential accomplishment of the set out objectives of NSRF and OPs in 2007–2013 programming period in the context of socio-economic changes. Based on the performed analysis, a set of recommendations was drafted with the view to make potential revisions and achieve higher effectiveness of the current programming period and to design the future programming period 2014+. The evaluation concentrated on the following five areas.

Evaluation area 1: Verification of topicality of NSRF objectives with regard to external factors

In order to verify the topicality of NSRF objectives with regard to external factors, a socio-economic analysis was performed, in the framework of which the most significant changes in socio-economic environment were identified and their potential impact on NSRF implementation was assessed. In addition, the topicality of outputs of NSRF ex-ante evaluation as well as the topicality of the set out NSRF objectives was assessed with respect to the socio-economic situation.

Evaluation area 2: Analysis of progress in implementation and accomplishment of the set out NSRF objectives

The analysis of progress of implementation and the accomplishment of the set out NSRF objectives consists of the evaluation of progress achieved in the drawdown of funds both at the level of NSRF and OPs and at the level of individual funds and objectives. Where problem areas of an OP were identified, such areas were evaluated down to the level of intervention areas and the reasons behind the detected problems were identified. Moreover, also evaluated was the accomplishment of objectives and set out indicators at the NSRF level, including the defined project-level indicators, and the absorption capacity, and based on these activities a proposal for suitable measures to revise the NSRF and OPs was drawn up. Also conducted was an evaluation of the fulfilment of 3E criteria (i.e. efficiency, effectiveness and economy) in the implementation of NSRF on a sample of projects and the project sustainability was assessed, including the design of conditions of sustainability due to the amendment to the General Regulation, i.e. Council Regulation (EC) No 1083/2006. Also included was the evaluation of irregularities and identification of the most frequent errors.

Evaluation area 3: Evaluation of the contribution of NSRF and OPs to horizontal themes

The evaluation of contributions to horizontal themes comprised first of all the analysis of successful inclusion of horizontal themes in the strategy and implementation mechanisms and the degree to which the NSRF contributed to positive effects on horizontal themes, including the assessment of a selected sample of projects with regard to their real contribution to horizontal themes. In addition, typical projects with a positive effect on horizontal themes were identified and also the system of monitoring of horizontal themes was evaluated.

Evaluation area 4: Evaluation of functioning of the implementation system

The evaluation of functioning of the implementation system contains the analysis of effects of changes in legislation on NSRF implementation and the identification of key risks that might have or already have had a negative impact on the course of NSRF implementation. The functioning, efficiency and effectiveness of the NSRF implementation structure and system were also assessed through the analysis of used tools, roles, division of competencies, powers and responsibilities within the implementation structure, assessment of partnership principle and its application in NSRF implementation and the evaluation of NCA role of the national coordinator of NSRF implementation.

Evaluation area 5: Evaluation of functioning of the monitoring system

Under the last evaluated area, the system of monitoring was assessed through the evaluation of methodological approaches in conducted analyses and outputs, output reports exported for the purpose of monitoring and evaluations were assessed and the existing methodological guidelines published by the MRD-NCA for the purpose of monitoring were evaluated.

Each of the above listed evaluation areas was described in a detailed thematic report which comprises the approach applied in evaluating the individual parts of the evaluation area concerned, the findings and derived conclusions and recommendations for both the current and future programming period in the form of answers to evaluation questions that had been defined for each evaluation area. The applied approach to evaluation, conclusions, recommendations and answers to evaluation questions with respect to the individual evaluation areas are included in the following chapters of this final report.

3 EA1: Verification of Topicality of NSRF Objectives with Regard to External Factors

3.1 Approach to Evaluation

Under Evaluation area 1 – “Verification of topicality of NSRF objectives with regard to external factors“, the **socio-economic analysis** included in Chapter 3 of the National Strategic Reference Framework of the CR for programming period 2007 – 2013 (hereinafter referred to as “NSRF“) was assessed. The evaluation focused on assessing the degree of changes that occurred in the socio-economic environment described in the referred to chapter of NSRF in 2007 – 2010 period. The evaluation applied the “desk research“ method based on available secondary data obtained from relevant sources. With the use of objective data obtained from relevant sources, it aimed to evaluate whether the statements included in socio-economic analysis of NSRF are still valid, or whether their validity changed as a consequence of development in the monitored period from 2007 to 2010. This evaluation did not cover the evaluation of effects of structural interventions on the development in individual assessed areas.

Another part of Evaluation area 1 consisted in the **verification of topicality of the set out strategic objectives of NSRF and their priorities**, namely based on the outputs and conclusions of the conducted analysis of socio-economic development.

A constituent part was also the **assessment of the topicality of individual items of SWOT analysis**, which is a part and parcel of NSRF. The evaluation focused on the analysis of socio-economic development of the CR in 2007 – 2010 period. Each of the four categories of SWOT analysis was concluded by proposals of areas, partial aspects of which could be added to SWOT analysis.

The assessment of topicality was accompanied by the **revision of SWOT analysis of NSRF in terms of methodology**. Based on this methodology, the strengths and weaknesses were viewed as the currently existing internal conditions of development in the CR that can be influenced by activities of entities operating in the territory of the CR. On the other hand, the opportunities and threats represent for the CR conditions and factors mostly of external nature, which in principal cannot be influenced by entities operating in the CR. On the very contrary, these entities are forced to adapt to them and to reflect them in their decision making. The opportunities and threats either already exist or will most likely emerge in the future. Based on these methodological premises, some items of SWOT analysis were redefined, transferred to another category or totally deleted.

In the final part of Evaluation area 1, **the topicality of outputs of NSRF ex-ante evaluation** was verified based on the evaluation of document called “Ex-ante evaluation of the 5th version of the National Strategic Reference Framework of the CR 2007-2013“ of 7 November 2006. The analysis of this document serves as groundwork for the **assessment of main outputs** of its individual thematic parts.

3.2 Recommendations and Proposals for Their Implementation

3.2.1 Evaluation question No 1: Have any major changes occurred in the baseline socio-economic conditions prevailing at the time of drafting the NSRF? If so, what changes? Do these changes have a significant impact on NSRF strategy?

Evaluation question No 1:

Have any major changes occurred in the baseline socio-economic conditions prevailing at the time of drafting the NSRF? If so, what changes? Do these changes have a significant impact on NSRF strategy?

Summary evaluation of evaluation question No 1:

The up to now development of socio-economic environment in the CR confirms that set out content of NSRF strategic objectives and priorities was correct. Nearly all the first half of the programming period took place under the financial and economic crisis, the main consequence of which was the slowdown of economic growth in the CR. Thus the set out NSRF strategy, aimed at strengthening the competitiveness and achieving sustainable growth, can be considered still valid in the context of current economic development, affected by the ongoing crisis. In this light, we may state that the changes in the development of external factors of socio-economic environment have so far not impacted the set out NSRF strategy to such an extent that they would necessitate interventions in the design of NSRF strategic objectives and priorities for the second half of the programming period.

Conclusions

The up to now development of socio-economic environment in the CR confirms that the set out **content of NSRF strategic objectives and priorities was correct**. The main change in the baseline socio-economic conditions is the slowdown of economic growth as a consequence of financial and economic crisis, which in 2009 turned into the stage of recession. The still ongoing economic crisis, lasting as a matter of fact almost throughout the first half of the current programming period, highlighted the need to support the development of areas covered by NSRF. In spite of that, some areas show a gradual positive development (e.g. information society, education, long-term unemployment, waste water treatment), whereas other areas are rather at a standstill (e.g. competitiveness of domestic business sector, research and development, transport infrastructure, public administration). Changes in the development of external factors of socio-economic environment, however, **have so far not impacted the set out NSRF strategy to such an extent** that they would necessitate interventions in the design of NSRF strategic objectives and priorities for the second half of the programming period.

Recommendations

Programming period 2007 - 2013

As mentioned above, the main change in the baseline socio-economic conditions can be seen primarily in the fact that contrary to the beginning of the programming period when the Czech economy reported economic growth, now, due to the financial and economic crisis, the Czech economy only reports a very moderate growth or even stagnation with pretty uncertain future prospects. **The set out NSRF strategy**, aimed at strengthening the competitiveness and achieving sustainable growth, can thus be considered **still valid** in the context of current economic development. Therefore, in the remaining years of the programming period, stress should be put particularly on the support of interventions that will, by their nature, significantly **boost the economic growth** and contribute to **addressing the ongoing financial and economic crisis**.

Programming period 2014+

This evaluation question concerns the current programming period.

3.2.2 Evaluation question No 2: Is it desirable to modify the NSRF strategy in consequence of changes in baseline conditions, or the emergence of new needs? If so, how?

Evaluation question No 2:

Is it desirable to modify the NSRF strategy in consequence of changes in baseline conditions, or the emergence of new needs? If so, how?

Summary evaluation of the evaluation question No 2:

The strategic objectives and priorities set out in NSRF and the main outputs of ex-ante evaluation of NSRF are valid also for the second half of the programming period. In the course of evaluation, no such changes in baseline conditions of external factors of socio-economic environment or new unexpected needs were identified that would have such significant impacts on the set out NSRF strategy that would currently necessitate interventions in the set out strategy. Bearing in mind the conclusions ensuing from the conducted analyses, it is fitting to continue to implement the NSRF in the existing design through individual operational programmes, with an emphasis placed on the support of areas that are of pivotal importance for sustainable development of the CR, but have been stagnating so far.

Conclusions

The strategic objectives and priorities set out in the NSRF and the main outputs of ex-ante evaluation of NSRF **are valid also for the second half of the programming period**. So far no such changes in baseline conditions of external factors of socio-economic environment or new unexpected needs have been identified that would have such significant impacts on the set out NSRF strategy that would currently necessitate **interventions in the set out strategy**. Bearing in mind the conclusions ensuing from the conducted analyses, to continue in the implementation of NSRF in its current design constitutes a suitable tool for strengthening the competitiveness of the CR. Sustainable development in all its aspects, i.e. economic, social and environmental, remains to be one of the starting points of NSRF that shall boost the growth of Czech economy, do away with long-term lagging behind and help accomplish the primary objectives of cohesion policy.

Recommendations

Programming period 2007 - 2013

Based on the conclusions of analyses and evaluations carried out in this evaluation area, we may state that the set out NSRF strategy **meets the current needs** of the development of Czech economy. In the remaining part of the current programming period, especially such areas should be supported through individual OPs that are of pivotal importance for sustainable development of the CR, but have been stagnating so far. Ranking among such areas could be the competitiveness of domestic business sector, research and development, transport infrastructure and public administration.

Programming period 2014+

Based on the up to now development of socio-economic environment, which was still substantially affected by the ongoing economic crisis, it may be assumed that the **majority of existing NSRF**

strategic objectives and priorities are valid also for the next programming period 2014+. Thus, the support in the next programming period should also be channelled to areas, the development of which shall ensure the support of sustainable growth of the CR.

It concerns the following areas:

- Strengthening the competitiveness of the CR through further simplification of conditions for business, development of cooperation between the business sector and education and research institutions, application of results of research in practice and more intensive exploitation of venture capital;
- Development of quality and scope of transport infrastructure;
- Improving the status of environment;
- Modernisation and increasing the quality and effectiveness of public administration;
- Strengthening the cooperation and partnership between the public and private business entities in tourism;
- Strengthening the integrated territorial development, closing the gaps in the level of economic advancement and unemployment rate between individual regions.

In order to achieve successful implementation of structural interventions in the next programming period 2014+, it is desirable to **thoroughly prepare the focus of these interventions** in connection to further development of socio-economic situation in the CR. The preparation for the next programming period should comprise the following steps:

- To perform an update of evaluation of the development of socio-economic environment of the CR in connection to the achieved results of NSRF implementation, individual OPs and national development programmes;
- To prepare national, sector oriented, development strategies that adequately respond to the development of socio-economic environment in the CR with such a structure that will facilitate the definition of suitable areas of these strategies intended for financing from EU funds;
- To map the general needs in relation to the above referred to areas of development, to identify the physical focus of individual interventions and to evaluate the absorption capacity in individual areas at which the interventions shall be directed;
- To reflect the above mentioned steps in the preparation of programming documents for the next programming period in line with the new rules that will govern the implementation of structural interventions in the next programming period.

The preparation of the next programming period should be backed up by the transfer of experience from 2004-2006 and 2007-2013 periods and also by an appropriate system of ex-ante evaluation. Based on the above referred to reasons, we may recommend to perform an **ongoing ex-ante evaluation** that should cover the assessment of areas listed below and relevant for drafting the programming documents:

- **Significance and rationale of the strategy:** assessment of the existing strategic and policy documents under individual policies as a starting point for the drafting of programmes and their interventions. Also assessed should be the alignment of the planned objectives and interventions and the development needs in individual areas and capacities of potential programme beneficiaries. When defining the strategy, stress should be put on the concentration and thus to avoid the fragmentation of interventions which eventually leads to the failure to achieve the required effect.

- **Quantification of objectives:** assessment of practical breakdown of various levels of objectives into specific target values that will adequately reflect the progress in the development in individual areas. The assessment of objectives' quantification aims to improve the system of progress measurement through achieved outputs and results and to put in place a robust basis for monitoring mechanisms.
- **Indicators:** The evaluation focuses on the quality of indicators with the goal to ensure that these indicators reflect the physical substance of the programme and its intervention areas. The indicators should be SMART / QQTTP, or should comply with any other relevant method of criteria evaluation. They should be set at a central level and monitored by project to facilitate the evaluation of effects of interventions at all levels.

QQTTP method is more accurate than the generally known SMART method since it analyses not only the quality of an indicator, but also its content:

- Quantity – it monitors whether the indicator can provide clearly measurable results expressed in units (e.g. revenues in mil. CZK, length of roads in km, number of working days, etc.);
 - Quality – it monitors whether a clear definition of the indicator is provided (e.g. exact classification of levels of education, etc.);
 - Time – it monitors whether the definition of an indicator sets out a clear timeframe for its measurement (e.g. from 2008 to 2009, etc.);
 - Target group – it monitors whether an indicator can be related to a specific target group (e.g. men, women, population of regions lagging behind, etc.);
 - Place – it monitors whether the value of an indicator can be determined in dependence on a geographical location (e.g. a single region or the whole territory of the Czech Republic).
- **Anticipated effects:** assessment of estimated outputs and results of the implementation of programme interventions. This should be based on the qualitative and quantitative analysis of objectives and of the forecast development and potential effects.
- **Institutional system and control mechanisms:** this aspect of evaluation aims to assess:
 - Regulatory framework and its compliance with requirements of EU legislation laying down the rules for implementation and management of structural interventions;
 - Institutional structure of implementation system, division of obligations and responsibilities, capacities for the implementation of individual programmes;
 - System of project selection, including the system of administration of project applications.
- **Consistency and cohesion:** evaluation of internal cohesion of programme strategy (situation analyses, SWOT, programme objectives, intervention areas) and consistency with external factors (economic situation, government policy, legal framework, strategic documents at national and international level (e.g. the National Reform Programme of the Czech Republic 2011, Europe 2020 strategy)).
- **Horizontal themes:** evaluation of the inclusion and taking into account the horizontal themes (e.g. sustainable development, equal opportunities) in planning and subsequent implementation of individual programmes.
- **Publicity and information:** assessment of the delivery of publicity and information dissemination.

- **Environmental impact assessment:** ex-ante evaluation of potential impacts of programme implementation on the environment and drafting the recommendations on minimisation or at least management of these impacts.

Prior to the commencement of ex-ante evaluation, the competent authority responsible for this evaluation should in the selection of an evaluator consider the following factors:

- **Knowledge of methodology and prior experience:** The evaluators must avail of knowledge of relevant EU legislation and methodological documents providing for the ex-ante evaluations. Preference is also given to evaluators with experience and knowledge gained in the previous programming period so that the assessment of differences in individual evaluated areas is ensured.
- **Expert knowledge:** specific knowledge of the sector covered by the evaluated programme. The evaluators shall ensure the participation of experts in the given field that will be capable of providing professional and technical support.
- **Access to relevant data:** The assessment of the quantification of objectives requires an access to relevant database which makes it possible to elaborate the assessment and make forecasts of development. Of benefit is the possibility to tap the knowledge and information on identical programmes in various countries implementing the structural interventions.
- **International coverage:** Beneficial is the experience and knowledge in the field of structural interventions across the new EU Member States since there are multiple similar problems and ways of their addressing.
- **Openness to close cooperation:** It is generally recommended to conduct an ongoing ex-ante evaluation which, however, is demanding as to the availability and participation of evaluators. The evaluators shall be available to relevant experts at any point of time throughout the whole process of drafting the programming documents.
- **Provision of communication:** Ex-ante communication is pivotal for the success of the whole process of evaluation. The programming should follow the principle of partnership, when a plethora of stakeholders (public administration and local self-government bodies, professional associations, non-government organisations, research institutions, etc.) is involved in the process of preparation of programming documents, among whom an effective way of communication is essential.
- **Integrity and reliability:** It is in the interest of experts drafting the programming documents that their outputs are revised, commented on and modified in cooperation with a reputable evaluator.

Strict project management: Evaluators should participate in project management provided an ongoing ex-ante evaluation is conducted. The evaluators should cooperate with experts when designing the structure and timeframe for the project of drafting the programming documents.

4 EA2: Analysis of the Progress of Implementation and Accomplishment of the Set out NSRF Objectives

4.1 Approach to Evaluation

In the framework of Evaluation area No 2 – “Analysis of the progress of implementation and accomplishment of set out objectives“, first the progress was evaluated in the absorption of funds **at the level of NSRF, OPs, objectives and funds, including the forecast development**. In individual OPs, data was evaluated on the number and financial volume of submitted applications and implemented and completed projects to the level of individual intervention areas. With the view to evaluate **the fulfilment of n+3/n+2 rule**, the assessment in each OP focused particularly on the data concerning the amount of certified expenditure submitted to the European Commission, funds included in aggregate applications for payment accounted for by the PCA, the accounted for funds paid to beneficiaries, the financial volumes of projects under implementation and duly completed projects, and the financial volume of applications under approval.

The next part of this evaluation area comprised the **evaluation of nine areas through the assessment of the fulfilment of selected relevant physical output and result indicators**. The areas run across the NSRF strategic objectives and priorities, thus their fulfilment often contributes to the simultaneous accomplishment of more NSRF priorities, or objectives. It includes the areas of Business and Innovation, Research and Development, Tourism, Education, Employment and Social Inclusion, Modernisation of Public Administration, Environment and Energy, Infrastructure, IUDP. The evaluation of the fulfilment of set out indicators aimed to assess **to what extent the interventions from the Structural Funds and the Cohesion Fund contribute to addressing the given areas of development**, namely both with respect to physical contribution and the volume of allocated funds. To this end the comparisons were made between the fulfilment of assessed indicators and the current situation in the area concerned.

The third part comprised the evaluation of **absorption capacity** with focus on those OPs, or individual priority axes and intervention areas, in which based on the results ascertained during the evaluation of progress in the drawdown of funds and during the evaluation of the accomplishment of objectives and set out indicators a problem related to absorption capacity was identified. For the analysis of absorption of funds under individual OPs, a decomposition analysis was used, which made it possible to split the absorption indicator, defined as a ratio of the reimbursed volume of funds and the volume of budget allocation, into several additional ratio indicators. Also analysed was the progress indicator, which the volume of allocated support and the volume of budget allocation.

The fourth part, focused on **measures for NSRF and OP revision**, builds on findings and conclusions of the previous three individual areas, in which the status of absorption in individual OPs, the fulfilment of selected NSRF indicators and the status of absorption capacity of individual OPs were analysed. Based on the findings and conclusions made in the above referred to individual areas, framework proposals for measures for NSRF and OP revisions were drawn up.

The evaluation of **the fulfilment of 3E criteria** (i.e. efficiency, effectiveness and economy) in the implementation of NSRF, included in the next part, was done on a sample of 100 projects supported under selected OPs. The assessment of project **efficiency** was carried out by comparing the actually achieved results and the planned project results. The assessment of project **effectiveness and economy** was made by comparing the actually spent and forecast project costs against the achieved results. The mentioned above was checked by the assessment of justification of projects in the framework of project application and by the evaluation of project implementation. The evaluation also took account the evaluation of projects, i.e. whether the project was assessed by an expert or whether the evaluation was made internally by MA staff. **Economy** was evaluated on a sample of projects in relation to the conducted **tenders**. The evaluation aimed primarily at the identification of problem areas and trends in individual types of projects. Within the evaluation of 3E criteria fulfilment, also assessed was the design of procedures leading to the observance of 3E rules with the aim to identify the main reasons of

low or high efficiency, effectiveness and economy of projects, and potential factors that influence them, and to evaluate the ways of monitoring the compliance with 3E rules by implementation entities.

An integral part of this evaluation area was also the assessment of **sustainability, including the design of sustainability requirements**. It was performed on the same sample as that used for the evaluation of fulfilment of 3E criteria. The analysis focused on the components of project documentation with the aim to identify the most frequent problems in the area of project sustainability faced by beneficiaries, the reasons behind these problems and the ways of addressing them. Its purpose was also to assess in what way the change in Article 57 of the General Regulation influenced the design of sustainability rules at project level and whether the sustainability requirement laid down in the decision to grant assistance are not stricter than required by the provision of the referred to article of the General Regulation. Also evaluated was the approach of MA to ensuring project sustainability in terms of procedures for the performance of project sustainability checks, procedures in case of findings, evaluation of the compliance with project sustainability, identification of factors putting the project sustainability at risk, etc.

The final part of Evaluation area 2 contained the **analysis of irregularities** reported in the course of project implementation under individual OPs. Two groups of projects were analysed, the group number one made up of projects financed from ERDF and CF, which are usually of investment nature, and group number two made up of projects financed from ESF, which are usually of non-investment nature. A thorough analysis was conducted only in case of irregularities with the status of **a confirmed irregularity**, thanks to which the results of the analysis are not distorted by potential inclusion of irregularities that have not been confirmed yet and could eventually not be considered an irregularity. The confirmed irregularities were assessed in terms of financial allocation of projects affected by irregularities, the type of beneficiary, the methods of detecting an irregularity and the type of irregularity.

4.2 Recommendations and Proposals for Their Implementation

4.2.1 Evaluation question No 1: Is the absorption of funds under some of the OPs in line with the n+3/n+2 rule currently at risk? If so, what are the reasons of such a risk? What amount of the commitment is at risk?

Evaluation question No 1:

Is the absorption of funds under some of the OPs in line with n+3/n+2 rule currently at risk? If so, what are the reasons of such a risk? What amount of the commitment is at risk?

Summary evaluation of Evaluation question No 1:

At the time of drafting the supplement to this report, i.e. in February 2012, the results of the fulfilment of n+3 rule by individual OPs for budget allocation for 2008 (and 1/6 of the allocation for 2007) were known and are as follows:

- Without the use of advance payments, the n+3 rule was fulfilled for 2008 allocation (including 1/6 of 2007 allocation) by OP T (ERDF), OP EI, OP HRE (objective 1), IOP (objective 1), OP TA (both the objectives), ROP NW, ROP MS, ROP SE, ROP CM, ROP NE, ROP SW, ROP CB a OP PA;
- With the use of advance payments, the n+3 rule was fulfilled for 2008 allocation (including 1/6 of 2007 allocation) by OP T (CF), OP E (both funds), OP HRE (objective 2), OP EC (both objectives), IOP (objective 2) and OP PC;
- With the use of annual commitments of major projects submitted to the European Commission for approval and also with the use of advance payments, the n+3 rule for 2008 allocation (including 1/6 of 2007 allocation) was fulfilled by OP RDI. In case of OP RDI the

delayed absorption was caused primarily by delayed launch of this OP. Another essential reason is the time consuming approval process of major projects.

Based on the data from MSC2007 as of 7 September 2011, there was a risk of non-fulfilment of n+3 rule for 2009 allocation, due to the amount of funds paid to beneficiaries and the financial volume of implemented projects and applications under approval in OP E, OP EI, OP HRE, OP RDI, IOP, OP EC and OP TA. It was caused by the fact that a substantial part of projects was at the stage of approval and not at the stage of implementation (OP E), the volume of funds reimbursed to beneficiaries was rather low (OP EI), there was a lack of administrative capacities for the administration of such a large number of projects submitted under anti-crisis calls (OP HRE), delays in the launch of implementation (OP RDI), problems concerning administrative capacities (IOP), complex implementation structure and fairly complicated layout of the programming document (OP EC), delays in the preparation of public procurement procedures and their cancellation (OP TA). At the time of drafting the supplement to this report, i.e. in February 2012, the reallocation of funds from OP TA to selected OPs was already approved, which should significantly reduce the risk of non-fulfilment of n+3 rule for 2009 allocation in this OP.

The indicative amount of commitment at risk for 2009 allocation based on the data from MSC2007 as of 7 September 2011 totals EUR 1 553.5 million, i.e. 37.6 % of budget allocation for all OPs. Considered at risk is the part of 2009 allocation that as of the cut-off date of 7 September 2011 was not covered by the funds reimbursed to aid beneficiaries. The highest commitment for 2009 allocation at risk as of the given date is reported by OP E financed from the CF, namely in the amount of EUR 541.3 million.

Conclusions

At the time of drafting the supplement to this report, i.e. in February 2012, the results of the fulfilment of n+3 rule for 2008 budget allocation by individual OPs have already been known and are the following:

- Without the use of advance payments, the n+3 rule was fulfilled for 2008 allocation (including 1/6 of 2007 allocation) by OP T (ERDF), OP EI, OP HRE (objective 1), IOP (objective 1), OP TA (both objectives), ROP NW, ROP MS, ROP SE, ROP CM, ROP NE, ROP SW, ROP CB and OP PA;
- With the use of advance payments, the n+3 rule was fulfilled for 2008 allocation (including 1/6 of 2007 allocation) by OP T (CF), OP E (both funds), OP HRE (objective 2), OP EC (both objectives), IOP (objective 2) and OP PC;
- With the use of annual commitments for major projects submitted to the European Commission for approval and also the advance payments, the n+3 rule for 2008 allocation (including 1/6 of 2007 allocation) was fulfilled by OP RDI.

The conclusions listed below were made based on the data from MSC2007 valid as of 7 Sep 2011.

With respect to the amount of funds reimbursed to beneficiaries, **the allocation for 2009** was at risk in OP RDI and IOP for objective 2, namely **in the amount of EUR 313.2 million in OP RDI and EUR 4.8 million in IOP for objective 2**. The next years' allocations are not at risk thanks to the financial volume of implemented projects and applications in the process of approval.

Starting with 2012, the fulfilment of n+3/n+2 rule was at risk also in other OPs due to the amount of implemented projects and applications under approval. In case of **OP E, the absorption of 2009 – 2011 allocation in the amount of EUR 1 945.9 million from CF and EUR 311.4 million from ERDF was at risk**. The reason behind this risk was especially the fact that the prevailing majority of projects under OP E, covering the volume of the above referred to allocation, **were at the stage of approval of project applications**, while only a minor part of projects reached the **stage of**

implementation. The slightly delayed absorption under this OP was caused by some problem areas in the implementation system which were to be eliminated by the adoption of corrective measures. A prevailing complication in this respects are the still existing **delays in meeting the legal deadlines** in the course of project preparation of infrastructure projects or the way of approval of projects, when prior to the issuance of the DGA **the terms of reference of the tender are assessed**. Other factors having a negative impact on the course of absorption were the **suspension of certification of expenditure** almost throughout 2011 and also the **turnover of staff** at the SEF, acting as the IB, in the first half of this year.

In **OP EI**, a part of **budget allocation for 2009**, namely **in the amount of EUR 186.9 million** was put at risk due to the volume of funds reimbursed to beneficiaries. The main reason of the risk posed to the absorption of funds under OP EI was a **fairly low volume of funds reimbursed to aid beneficiaries and lower interest of applicants in some intervention areas**.

In **OP HRE**, considered at risk was a small part of **allocation for 2009 in objective 1 in the amount of approximately EUR 35 million** and the majority of this allocation in the amount of **approximately EUR 3.7 million in objective 2**. In both the cases it concerned EU funds allocated to projects under implementation, which means that the risk consisted in the uncertainty whether the projects in the amount will be successfully, whether the funds will be paid and the expenditure certified and submitted to the European Commission for reimbursement by the end of 2012. The pace of OP implementation in 2010 was influenced by the **necessity to administer a large number of projects submitted under the anti-crisis calls**, which exceeded the administrative capacities and necessitated involvement of external entities. Troublesome was also the implementation of PA 4, which is under the responsibility of the IB MoI, nonetheless the complications, arisen mainly due to poor quality of monitoring reports and delays in the reimbursement of expenditure, have gradually been addressed.

In the framework of **OP EC**, the **allocation for 2009 to 2011 was at risk**, namely in the amount of **EUR 403 million in objective 1 and EUR 8.5 million in objective 2**. The cause can be found in a fairly complicated implementation structure and also in a fairly complicated physical structure since this OP consists of a fairly large number of priority axes and intervention areas, with a large number of projects with rather small volumes of funds, which **increases the demands on its implementation**. An important factor was also extensive **changes in staffing (restructuring)** made in the implementation structure of this OP in 2010 and 2011.

In **OP TA**, as concerns the **allocation for 2009 to 2012** identified was a commitment at risk in the amount of **EUR 99.6 million in objective 1 and EUR 1.7 million in objective 2**. The reason was, apart from a **fairly low interest on the part of applicants, particularly the delays in the preparation of public procurement procedures or even the cancellation** of already prepared and approved public procurement procedures as a consequence of a change in the strategy of the contracting authority or non-compliance with public procurement rules. The identified amount of commitment at risk should be eliminated by a reallocation made in the framework of **OP TA revision**, which was approved by the European Commission in November 2011.

With respect to the financial volume of implemented projects and applications under approval, a part of the **allocation for 2009 to 2012 in ROP MS, namely in the amount of EUR 76.8 million**, can be considered at risk. **It was caused by delays in the preparation of projects**, namely in Intervention area 1.2 Development and availability of the Ostrava airport and 1.3 Development of transport services.

In **ROP CM**, a commitment at risk was identified in the amount of **EUR 60.9 million**, which concerned the budget **allocation for 2010 to 2012**. It was caused by **inadequate financial volume of approved projects** (for 2010 and 2011 allocations) and **financial volume of applications under approval** (for 2012 allocation).

Recommendations

Programming period 2007 - 2013

One of the causes of lower absorption and threatened fulfilment of n+3/n+2 rule is the delay in the preparation of projects. The MAs should in these cases focus on **cooperation with potential beneficiaries in the preparation of projects**, namely e.g. in case of regions and municipalities under IUDP.

Delays are also brought about by a complex system of evaluation and a demanding nature of projects, mainly in OP RDI and OP E. In this context it would be useful to consider the **simplification of administrative procedures** in the approval of applications for support (e.g. by restructuring and higher effectiveness of processes performed by MA and IB, simplification of procedures for applicants through maximum possible alignment of rules and methodological procedures, and reduction of their changes to minimum in the course of the programming period, full digitisation of the process of administration of monitoring reports and payment requests, adoption of uniform and clear documentation for calls for submission of project applications) or **promoting more flexible cooperation with experts relevant for the evaluation of project applications**.

The absorption of funds is also negatively impacted by delayed implementation or even withdrawal of projects due to delays ensuing from the implementation of **public contracts**, which is made even worse by fairly long deadlines of the OPC when reviewing the tenders. Particularly risky, in terms of the impact on absorption of funds, are complications in the award of public contracts in the so called major projects. The risks related to public procurement can be mitigated by consistent evaluation of the application of Act on public contracts in practice and by proposing its amendments. Another activity is the provision of **effective methodological support to applicants and aid beneficiaries** in order to minimise the error rate in tenders. The risk would be reduced by more effective activities performed by the OPC resulting in shorter deadlines in its decision making.

In appropriate cases, the drawdown would also be accelerated by the **division of projects into stages**, used in some OPs (e.g. OP EI, OP T, ROP), which is conducive to smoother reimbursement of project expenditure and thus also the absorption of OP allocations.

In intervention areas less attractive to applicants and showing little progress in absorption, it is useful to **consider a transfer of funds** into intervention areas that exhibit not only a high demand on the part of applicants, but also substantially contribute to the accomplishment of OP and NSRF objectives.

In OPs that face inadequate administrative capacity, it is useful to consider **the use of external administrators** to perform the defined processes in the course of project administration (drafting the monitoring reports, on-the-spot checks, etc.).

So as to eliminate the risk of failure to absorb the 2009 allocation, **the body of knowledge and experience of MA gained while performing management activities ensuring the absorption of the rest of the allocation for 2008 should be exploited**. This acquired knowledge of procedures should be collected and assessed by a relevant working group and in the form of recommendations offered to individual MAs.

Programming period 2014+

The speed of absorption in the current programming period is affected by problems encountered in the implementation structure, complex administrative procedures and complexity of OPs, manifested by a large number of small projects, priority axes and intervention areas. Thus, in the next **programming period 2014+**, the emphasis should be put on **simplifying the implementation structure, increasing the effectiveness of project administration and setting out an adequate number of OPs, their structure and physical scope**.

4.2.2 Evaluation question No 2: Is the accomplishment of objectives set out in OPs at risk? If so, what are the reasons behind this risk?

Evaluation question No 2:

Is the fulfilment of objectives set out in OPs at risk? If so, what are the reasons behind this risk?

Summary evaluation of the Evaluation question No 2:

The up to now fulfilment of objectives of individual OPs can be considered adequate to the current stage of implementation of NSRF. Based on the evaluation of the physical progress of OP implementation, we may state that the accomplishment of OP objectives is currently not at risk. In the light of current economic development, however, the emergence of factors strongly threatening the accomplishment of some objectives of OPs in the remaining part of the programming period cannot be ruled out.

Conclusions

On the basis of conducted analyses and identified findings, the to date accomplishment of objectives of individual OPs can in general be considered adequate to the current stage of NSRF implementation. Unless major complications arise (e.g. deepening of economic crisis, further deterioration of public finance), **we may assume that all the set out OP objectives shall have been accomplished at the end of the programming period.** Even though the accomplishment of the set out objectives cannot be right now considered directly at risk under any of the OPs, there are some areas to which greater attention shall be paid. These are particularly the following:

- In consequence of **a shortage of suitable projects** under OP T, potentially at risk can be the accomplishment of objectives in the area of **development of intelligent transport systems in road transport and systems enhancing the safety and flow of road transport** and also in the area of **development of combined transport and upgrading the inland waterway vessels**;
- By reason of **lower interest of applicants**, under OP E potentially at risk can be the accomplishment of objectives in the area of **improvement of air quality and reduction of emissions** and also in the area of **construction of new facilities and reconstruction of the existing facilities using the renewable energy sources**;
- By reason of **the current situation in labour market**, under OP HRE potentially at risk can be the accomplishment of objective of the **number of newly created jobs for disadvantaged groups**;
- **Low number of successfully supported persons** under OP EC can potentially put at risk the accomplishment of objectives in the area of **education**;
- **Delays in the implementation** can under IOP potentially put at risk the accomplishment of the objective in the area of **social integration**;
- **Inadequate progress in the introduction of standards for the quality of services in tourism**, namely both in the number of newly classified and certified entities and the number of introduced standards for services in tourism under IOP can potentially put at risk the accomplishment of objectives in the area of **tourism**;
- **Failure to approve the projects of modernisation of regional airports** under ROP CM and SW will result in the failure to accomplish the objectives in the area of **development of air transport in regions concerned**.

The evaluation of physical progress was to a certain degree influenced by **modifications in the design of the set of indicators**, made in majority of OPs predominantly at the beginning of the programming period and aimed to optimise the set of indicators.

Recommendations

Programming period 2007 - 2013

To continue to **evaluate the fulfilment of individual indicators** crucial for assessment of the accomplishment of OP and NSRF objectives **on an ongoing basis**. In case their accomplishment is at risk, to adopt adequate measures boosting the absorption capacity of the given part of OP. Attention should be paid particularly to those indicators, the fulfilment of which is now unsatisfactory and where no conditions are established to improve the situation soon.

Programming period 2014+

In the preparation of OPs for the next programming period 2014+, it is necessary to concentrate on **quality design of the set of indicators**, i.e. to select not only indicators relevant in terms of their focus, but also to set the target values of indicators in a way that would help prevent the necessity of their modification during the programming period. At the same time, the indicators shall be objectively measurable and aggregatable so as to facilitate effective and targeted qualitative evaluation of physical progress in the accomplishment of objectives set out in the respective development strategies of individual programming documents.

4.2.3 Evaluation question No 3: Is it desirable to modify the allocations to some OPs (priority axes) as a consequence of the actual or anticipated financial situation? If so, which allocations and how?

Evaluation question No 3:

Is it desirable to modify the allocations to some OPs (priority axes) as a consequence of the actual and anticipated financial situation? If so, which allocations and how?

Summary evaluation of the Evaluation question No 3:

Following from the assessment of the state of play in absorption of allocated funds under individual OPs and taking into account the already made or proposed reallocations under some OPs, no significant need of another reallocation of funds was identified in any of the OPs. Nonetheless, it is still necessary to continuously monitor the implementation of individual OPs and if the situation deteriorates to conduct a thorough analysis and subsequently to adopt adequate measures, which as a last resort may consist in the reallocation of funds to other OPs. At present, the attention should be paid particularly to those OPs, in which problem areas have been identified, and adequate measures should be adopted in time in order to improve the existing situation.

Conclusions

The majority of thematic OPs report **the absorption capacity as well as the progress in accomplishment of physical objectives corresponding with the preceding part of the programming period**. Majority of TOPs underwent revisions in the previous part of the programming period, which helped optimise both their financial and physical implementation. The above referred to suggestions for some modifications in OPs therefore do not necessitate modifications in allocations to these OPs. Further OP revisions should thus be made after some period of time based on the

evaluation of functioning of the already modified versions of OPs in the context of physical and financial progress.

The ROPs, OP PC and OP PA show **adequate financial and physical progress**. The allocations for ROPs and OP PC have been increased by a part of additional funds granted to the CR pursuant to Article 17 of the Interinstitutional Agreement and also by funds reallocated from OP TA. Judging from the current absorption capacity of these OPs, the increased allocation should be absorbed without any difficulty whatsoever. That is why, following the approval of revision of most OPs by the European Commission at the end of 2011, there is no need at the moment to make further revisions. Only in **ROP CM and ROP SW** the projects on regional airports have not been approved by the European Commission. In this context it is fitting to conduct a situation analysis to see whether there is an actual potential to absorb these funds by the given intervention area, or to put forward proposals for potential reallocation within regional priorities in the field of transport. In **ROP CB**, the Managing Authority decided to no more spend funds on enhancing the absorption capacity in PA 4 and intends to reallocate the funds from this PA to PA 3.

It shall be underlined that for all the above proposed OP modifications under problematic OPs or intervention areas it holds true that **the reallocation of funds is only a last resort solution of the situation**. Even though in majority of TOPs and in some ROPs the indicative amounts of 2009 allocations at risk of non-fulfilment of n+3/n+2 rule were quantified, there is still room enough in 2012 to concentrate on elimination of this risk. The MAs should primarily zero in on the identification and evaluation of causes of the given state of play and subsequently adopt adequate measures in support of the implementation of the respective part of OP (modification of conditions of the call, announcement of a specific call, organisation of seminars for applicants, etc.).

Recommendations

Programming period 2007 - 2013

It shall be highlighted that for all the proposed OP modifications under problematic OPs or intervention areas it holds true that **the reallocation of funds is only a last resort solution of the situation**. The MAs should primarily zero in on the identification and evaluation of causes of the given state of play and subsequently adopt adequate measures in support of the implementation of the respective part of OP (modification of conditions of the call, announcement of a specific call, organisation of seminars for applicants, etc.).

Following a thorough evaluation of the drawdown of funds conducted at the beginning of 2012, **an analysis of potential use of remaining funds** should be carried out to the level of individual intervention areas with the view to make potential reallocations.

Programming period 2014+

This evaluation question concerns the current programming period.

4.2.4 Evaluation question No 4: Is the accomplishment of some of NSRF objectives at risk? If so, what are the reasons of this risk?

Evaluation question No 4:

Is the accomplishment of some of NSRF objectives at risk? If so, what are the reasons of this risk?

Summary evaluation of Evaluation question No 4:

The up to now accomplishment of NSRF strategic objectives can be deemed adequate to the current stage of implementation. The evaluation of physical progress of OP implementation has proven that

the accomplishment of OP objectives is currently not at risk. Based on this conclusion, we may state that the accomplishment of NSRF strategic objectives is currently not at risk either. In the light of current economic development, however, the emergence of factors strongly threatening the accomplishment of some objectives of NSRF in the remaining part of the programming period cannot be ruled out.

Conclusions

The evaluation of accomplishment of the set out strategic objectives and selected indicators has proven that the fulfilment of the set out indicators basically proceeds at a satisfactory pace and the implementation of individual OPs thus **leads to gradual accomplishment of all four NSRF strategic objectives.**

On the basis of conducted analyses and identified findings, the up to now accomplishment of the NSRF strategic objective can in general be considered adequate to the current stage of implementation. Unless major complications arise (e.g. deepening of economic crisis, further deterioration of public finance), **we may assume that all the set out NSRF objectives shall have been accomplished at the end of the programming period.**

Concurrently, it shall be pointed out that the indicators included in NSRF that map its objectives and priorities are the so called **context (statistical)** indicators, which means that **that are difficult to evaluate.** For this reason, apart from indicators included directly in NSRF, a set of project indicators has been selected, which monitor the physical accomplishment of objectives and based on which the above referred to conclusions have been arrived at. The definition of context (statistical) indicators at the level of NSRF can therefore be perceived as a certain **barrier to the conduct of effective monitoring of physical progress achieved in NSRF implementation.**

Recommendations

Programming period 2007 - 2013

To carry on **continuously evaluating the fulfilment of individual indicators** crucial for the assessment of the accomplishment of NSRF strategic objectives and in case their accomplishment is at risk to ensure the adoption of adequate measures in relevant OPs that will result in the elimination of such risks.

Programming period 2014+

In the preparation of OPs for the next programming period 2014+, it is necessary to concentrate on **quality design of the set of indicators**, i.e. to select not only indicators relevant in terms of their focus, but also to set the target values of indicators in a way that would help prevent the necessity of their modification during the programming period. At the same time, the indicators shall be objectively measurable and aggregatable so as to facilitate effective and targeted qualitative evaluation of physical progress in the accomplishment of objectives set out in the respective development strategies. In this context, it is necessary to point at the inappropriate use of the so called context indicators in the current programming period. These indicators can be used when drafting the strategies to describe the socio-economic situation, but are inappropriate for the evaluation of physical progress since apart from implemented interventions also other factors influence their development.

4.2.5 Evaluation question No 5: Is it desirable to modify the NSRF objectives in consequence of the actual and anticipated financial and physical state of play? If so, how?

Evaluation question No 5:

Is it desirable to modify the NSRF objectives in consequence of the actual and anticipated financial and physical state of play? If so, how?

Summary evaluation of the Evaluation question No 5:

Based on the evaluation of financial and physical state of play of the implementation of individual OPs, or the NSRF, no serious reasons have been identified which would currently necessitate a modification of the NSRF strategic objectives. Judging from the conclusions of conducted evaluations, we may state that the strategic objectives and priorities set out in NSRF are valid also for the second half of the programming period.

Conclusions

Based on the evaluation of financial and physical state of play of the implementation of individual OPs, or the NSRF, **no serious reasons have been identified which would currently necessitate a modification of the NSRF strategic objectives.** Also the analysis of development of the socio-economic environment in the CR, conducted under Evaluation area No 1, **confirmed that the design of the set out content of NSRF strategic objectives and priorities is correct.** Changes in the development of external factors of socio-economic environment have so far not impacted the NSRF to such a degree that they would necessitate interventions in the design of NSRF strategic objectives and priorities for the second half of the programming period. The evaluations conducted in the framework of Evaluation areas 1 and 2 suggest that the NSRF strategic objectives and priorities **are valid also for the second half of the programming period.**

Recommendations

Programming period 2007 - 2013

Bearing in mind the conclusions above, **it is appropriate to continue to implement the NSRF as currently designed** through individual operational programmes with, an emphasis placed on the support of areas that are of key importance for the sustainable development of the CR, nonetheless that have so far been stagnant, i.e. particularly the area of research, development and innovation, human resources development, transport infrastructure, environment and public administration.

Programming period 2014+

This evaluation question concerns the current programming period.

4.2.6 Evaluation question No 6: Has the 3E rule been observed in NSRF implementation? Are the allocated funds used in an efficient, effective and economic manner?

Evaluation question No 6:

Has the 3E rule been observed in the implementation of NSRF? Are the allocated funds used in an efficient, effective and economic manner?

Summary evaluation of the Evaluation question No 6:

In terms of the observance of the 3E rule the system of NSRF implementation is functional, nevertheless it shows partial deficiencies that bring about lower transparency and effectiveness of spent public funds.

There is no single methodology for evaluating the efficiency, effectiveness and economy. The operational manual of each OP comprises the procedures to ensure activities resulting in increasing the effectiveness, efficiency and economy.

As concerns efficiency, the evaluation of data on a sample of projects indicates that the objectives have been fully accomplished in 70 % of examined projects.

With regard to more intensive application of the 3E rule in the process of implementation, we may recommend to introduce more stringent rules for the conduct of tenders, to strengthen the process of evaluation of project applications for support and control activities and to align methodologies for the evaluation of efficiency, effectiveness and economy.

Conclusions

The principles governing the application of the 3E rule are under NSRF implemented both at the stage of approval of project applications and at the stage of project implementation. In terms of the fulfilment of 3E criteria, the MAs face a challenging situation since **there is no single methodology for evaluating efficiency, effectiveness and economy**. The operational manual of each OP comprises procedures to ensure activities resulting in increasing effectiveness, efficiency and economy in order for them to be compliant with the relevant legislation while reflecting the specific features of projects under individual OPs.

It shall be stated, however, that the evaluation of interventions in terms of 3E is a pretty challenging aspect of assessment which can be approached in different ways. The below mentioned conclusions depend on the method of evaluation opted for in this part of evaluation. During this evaluation and in dependence on the selected procedure, a few facts were identified which indicate potential areas of lower effect of the use of public funds.

As concerns **efficiency**, the evaluation of data on a sample of projects indicates that the objectives have been fully accomplished in 70 % of examined projects. Considered a certain quality imperfection of the design of baseline criteria of projects can be the fact that in almost half of the projects it was difficult to accomplish the project objectives by the required deadline. In total, 27 % of implemented projects contributed to the accomplishment of the NSRF strategic objective Competitive Czech economy, 52 % to Open, flexible and cohesive society, 6% to Attractive environment and 31 % to Balanced development of territory.

A positive finding is the fact that **no additional funds were allocated** to any of the examined projects in the course of project implementation. In general, during the process of evaluation of applications the funds were cut altogether by approximately 4.7 % of the total required allocation and during the project implementation the volume of funds was decreased by approximately 11.1 % of the total

allocation. In the course of evaluation and implementation of projects, there were adequate system interventions made by implementation structure entities to reduce the amount of eligible expenditure of projects which helps increase the effectiveness of funds.

As concerns **economy**, the tenders can be designated a **pivotal part** of the system of implementation of EU structural funds. Tenders were conducted in 68 % of implemented projects. In all evaluated cases the tender was conducted **in compliance with the legislative rules in force and the Binding procedures for the award of public contracts co-financed from the EU funds, to which the Act No 137/2006 Coll., on public contracts does not apply.**

Considered positive can be the frequent use of the possibility to commission the elaboration of **external (independent) opinions** on project applications in the course of evaluation. Of the total number of evaluated projects, only 12.3 % of projects did not tap this possibility.

A certain problem is **the absence of a list of experts in specific branches**, who would assess the price usual at the given place and time, and the **non-existence of a central system of unit costs**, which would serve as a certain guideline for the assessment of “actual” costs of projects. In some cases a **comparison (benchmarking)** with similar projects that were implemented in the past can be made. A central benchmarking database, however, has not been set up as yet.

Generally speaking it is true that in projects with **higher rate of co-financing** by the beneficiary, the likelihood of overcharging of contracts during project implementation is lower. **The decrease in the rate of support** would help foster the 3E principles in projects financed from EU structural funds.

The evaluator also conducted a framework analysis of the “meaningfulness and need” of selected projects. This analysis indicates that in 74 % of projects their efficiency was confirmed based on the project compliance with the national strategy, or policy, whereas in the remaining 26 % of projects this was impossible to assess.

In the sample of projects concerned, no conclusive facts were identified in project documentation which would clearly refute the efficiency of projects approved by external evaluators, or the Evaluation Committee.

Recommendations

Programming period 2007 - 2013

It is desirable to intensify the process of **evaluation of project applications for support and the controls** (e.g. to ask companies that avail of experience with similar types of projects for an opinion on 3Es, to introduce a database of projects and outputs in order to perform benchmarking, to introduce a central system of unit costs, to introduce CBA in relevant OPs, etc.).

Recommended can also be the introduction of the rule of **co-financing by aid beneficiary** in all projects, where their nature suggests that they would be motivated to more effective spending of funds, and horizontal **reduction of the rate of support**, while taking into account its impact on absorption capacity.

As concerns the more intensive involvement of external independent experts in the process of implementation, for the sake of transparency it is suitable to compile a **central list of experts in specific branches**, who would assess both the efficiency of proposed project objectives and the estimated costs required for the attainment of these objectives.

The introduction of system measures that have an influence on the compliance with the 3E rule **increases the administrative burden, time necessary for the elaboration of documentation and adequate level of expertise** both on the part of implementation structure entities and aid beneficiaries. In this respect we may consider the usefulness of the performance of certain activities by external entities specialising in the field of tenders in order to increase the effectiveness of processes.

Programming period 2014+

In order to enhance the application of the 3E rule in the process of implementation, we may recommend introducing **more stringent rules for the conduct of tenders** in the next programming period. An approach should be supported when primarily the criterion of the best price at clearly defined parameters of contract delivery is reflected in tender documents and in the process of selection of supplier. The final selection should be made based on the evaluation of at least two comparable bids and the decision on selection of a supplier should be adopted with respect to the lowest bid (price). Departure from such a procedure should be duly **justified and documented**. The qualification requirements for tenderers should contain non-discriminatory criteria.

The alignment of the methodological approach to the **evaluation of efficiency, effectiveness and economy**, introduction of CBA in the process of evaluation of applications for support and the establishment of a central system of unit costs will be conducive to higher effectiveness and transparency of the spending of public funds.

4.2.7 Evaluation question No 7: Are the requirements for project sustainability set out adequately with regard to the amendment to Council Regulation (EC) No 1083/2006?

Evaluation question No 7:

Are the requirements for project sustainability to set out adequately with regard to the amendment to Council Regulation (EC) No 1083/2006?

Summary evaluation of the Evaluation question No 7:

In connection with the change made in rules in the course of 2010, it is obvious that the requirements for sustainability in contract documentation to a certain extent exceed the requirements of the General Regulation. The project sustainability is required in 95 % of examined projects. In all cases the sustainability requirement is a component part of conditions of contract documentation/decision to grant assistance in projects financed from ERDF and in 87 % of projects financed from ESF. The non-compliance with sustainability requirements has not been identified in any of the analysed projects.

The sustainability requirements set out in the decision/contract on granting assistance were beyond the scope of amendment to the Regulation in 42 % of examined projects. Sustainability beyond the scope of the Regulation is more often requested in ESF programmes (87 %) than in ERDF programmes (13 %).

Conclusions

The long-term nature of benefits achieved through the interventions depends on the individually set mechanisms of ensuring the **sustainability of outputs in individual projects**. The analysis of project documentation reveals that project sustainability is requested in 95 % of examined projects. In all cases the requirement for sustainability is a part of conditions of contract documentation/decision to grant assistance in projects financed from ERDF. In projects financed from ESF, it has been ascertained that the requirement for sustainability had been set out in 87 % of projects. It is obvious that due to the amendment to the rules in the course of 2010 the requirements for sustainability in contract documentation to a certain degree go beyond the scope of requirements laid down in the General Regulation.

The sustainability requirements set out in the decision/contract on granting assistance were **beyond the scope of amendment to the Regulation** in 42 % of examined projects. Sustainability beyond the

scope of the Regulation is more often requested in ESF programmes (87 %) than in ERDF programmes (13 %). In ESF programmes, following the amendment to the Regulation the sustainability obligation was repealed through an update of the Handbook for Beneficiaries since the beneficiary, based on the conditions laid down in the DGA or in the contract, is obliged to abide by the valid Handbook for Aid Beneficiaries. In programmes financed from ERDF and CF, the aid beneficiary is obliged to meet the sustainability requirements in case the sustainability obligation exceeds the requirements laid down in the Regulation. Failure to meet the sustainability requirements is reported and addressed in keeping with the rules of irregularities.

No problem with the failure to meet the sustainability requirements has been identified in any of the projects, which is a finding that can be expected since the implementation of examined projects has been completed only recently.

The requirement for sustainability of outputs (e.g. created jobs) and its maintenance (financing once the support is no more granted, resources financing the operation) is connected with the design of penalties imposed in case of the breach of set out conditions. The sustainability of outputs is, however, adversely impacted also by **external conditions** (economic crisis, a change in the system of financing of public institutions, etc.), and the commitment to sustain e.g. jobs or activities may for a number of beneficiaries be pretty challenging.

In the current programming period, the MAs **have so far not gained much experience** with meeting the sustainability requirements. Several problems may arise with respect to a potential change of legal personality of private companies, in case the municipalities face difficulty with co-financing of projects, or in case there is a change in political representation in municipalities and uncertainty suffered by business entities (especially SMEs). In the so called “soft projects” in tourism, e.g. festivals, etc., possibilities to sustain the outputs are discussed and suitable solutions are sought in cooperation with beneficiaries.

In research and non-profit organisations, the matter of sustainability depends on their opportunities to raise additional funds **from other sources**. The sustainability of supported projects cannot be safeguarded without these funds. The infrastructure projects can be put at risk due to the lack of funds **for operation, maintenance and repair of the developed structures**.

Recommendations

Programming period 2007 - 2013

The long-term nature of sustainability of project outputs depends on the overall purpose of implemented projects. The projects should be prepared in line with the **policy development strategies** in such a way that the risk of external impacts of short-term fluctuations (e.g. due to crisis) is eliminated as much as possible in a long-term perspective and that there is a demand for the achieved project outputs also after the end of project financing.

With the view to evaluate the sustainability, it would be useful to **monitor the problem projects at the level of MAs and IBs**, in which the breach of sustainability rules has either been identified or is imminent, and based on the data on individual projects to continuously evaluate the **trends and reasons behind this situation and to adopt suitable measures to eliminate them**.

We recommend to conduct an in-depth evaluation either as a separate or an integral part of ex-post evaluation of NSRF **at the end of the programming period**, when more extensive database should be available for adequate evaluation of sustainability, i.e. for verification that the project objectives have been and the sustainability of results is maintained throughout the defined period of time.

Programming period 2014+

This evaluation question concerns the current programming period.

4.2.8 Evaluation question No 8: What are the most frequent irregularities and errors in project implementation? What are the reasons of their occurrence?

Evaluation question No 8:

What are the most frequent irregularities and errors in project implementation? What are the reasons of their occurrence?

Summary evaluation of the Evaluation question No 8:

In the course of the current programming period (until 14 September 2011), a total of 5 253 irregularities have been detected at all stages of evaluation, with approximately one third of them being confirmed. The amount to be recovered reached roughly CZK 121 million and the majority of funds to be recovered fall relates to projects financed from ERDF and CF.

The most frequent types of confirmed irregularities and errors in projects financed from ERDF and CF are the following: ineligible expenditure, breach of the public procurement rules and unjustified expenditure. Ranking among more frequent irregularities are also wrong accounts, irregularities in documents/evidence, failure to comply with the conditions laid in the Regulation/Contract and failure to implement the actions.

The most frequent types of confirmed irregularities and errors in projects financed from ESF are the following: an action not performed in compliance with the rules/regulations and ineligible expenditure. Other, less frequent irregularities comprise unjustified expenditure, wrong supporting documents/evidence and failure to comply with the conditions laid down in the Regulation/Contract.

The main causes giving rise to irregularities are the inclusion of ineligible/unjustified expenditure in the payment request; non-compliance with legislation and methodological guidelines for the award of public contracts; reimbursement of expenditure that was not actually incurred and its inclusion in payment requests; failure to observe the deadlines for the submission of required documents related to project implementation; errors in projects financed from ESF concerning the compliance with conditions for education and employment of persons

Conclusions

As at the date of provision of data on irregularities, i.e. as at 14 Sep 2011, **a total of 5 253 irregularities** were registered at all the stages of evaluation, of which **1 720 irregularities were confirmed**. Of the total number of projects with issued decision/contract, approximately 4.1 % of projects were affected by a confirmed irregularity. The total amount of confirmed irregularities equals approximately CZK 1.65 billion, while the total amount of EU funds to be recovered reached approximately CZK 121 million.

The number of confirmed irregularities in OPs financed from ERDF and CF is almost three times lower than the number of confirmed irregularities in OPs financed from ESF. This situation is brought about by the fact that majority of projects under these OPs is financed through advance payments, when in line with provisions of Act No 218/2000 Coll., on budgetary rules, it is necessary to address all the identified errors as suspected irregularities. This procedure constitutes a considerable burden for administrative capacities of all authorities involved in addressing the irregularities. Nonetheless, **the total amount to be recovered** in OPs financed from ESF is much lower than that in OPs financed from ERDF and CF, which is caused by lower financial volumes of projects financed from ESF.

As to the number of projects affected by a justified or confirmed irregularity, **the largest number of irregularities was seen** in OP HRE and OP EC, which only corroborates the conclusions above concerning the OPs financed from ESF, where which the number of projects financed from ESF with a confirmed irregularity is roughly twice as high as the number of projects financed from ERDF and CF.

Among OPs, in which **no confirmed irregularity has so far been discovered**, are OP T, OP TA, where the lower error rate is largely influenced by the fact that the beneficiaries recruit from among implementation structure entities, and OP RDI, which has not yet progressed as much as the other OPs and under which the lowest number of projects is under implementation.

The method most often **employed in Ops financed from ERDF and CR in order to discover the confirmed irregularities** across various types of aid beneficiaries and OPs is a documentary check. Other methods, often leading to discovery of irregularities, are the on-the-spot check, voluntary self-reporting, findings detected during the regular procedure and national administrative or financial checks. The above referred to conclusions corroborate the fact that essential for effective detection of irregularities are primarily the effectively functioning control mechanisms, namely at the level of implementation structure of the respective OP. As to the **type of confirmed irregularities**, the most frequently detected error is ineligible expenditure, followed by the breach of public procurement rules and unjustified expenditure.

Just like in OPs financed from ERDF and CF, also in **OPs financed from ESF** the most frequently stated **method of detection of confirmed irregularities** across various types of aid beneficiaries and OPs was the documentary check. Other two most frequently employed methods are the national administrative and financial checks and voluntary self-reporting. Due to the nature of projects financed from ESF, the role of on-the-spot checks in detecting irregularities is minor contrary to projects financed from ERDF and CF. In case of these OPs it is therefore essential to emphasise especially the quality of control process of documents related to the project. Unlike the OPs financed from ERDF and CF, the **most frequent error** is not the ineligible expenditure, but an action non-compliant with the rules/legislation. Among others, less frequent irregularities are the unjustified expenditure, wrong supporting documents/evidence and non-compliance with conditions laid down in the Regulation/Contract.

The causes giving rise to irregularities are similar across beneficiaries and OPs in dependence on the given type of the confirmed irregularity. A frequent **cause giving rise to an irregularity** is the inclusion of ineligible/unjustified expenditure in the payment request; non-compliance with legislation and methodological guidelines for public procurement; reimbursement of expenditure that was not actually incurred and its inclusion in the payment request; failure to observe the deadlines for the submission of required documents related to project implementation (monitoring report, payment request, etc.); errors in projects financed from ESF concerning the compliance with conditions for education and employment of persons (failure to fulfil the obligation of informing about the termination of employment by the employer, statement of wrong data on education of employees by the employer, sending a wrong amount of contribution by the labour office, non-compliance with the conditions of education by the trainee in a training course, etc.).

Recommendations

Programming period 2007 - 2013

In order to eliminate the occurrence of irregularities, especially **preventive** measures should be taken that will focus on the removal of their causes. In the field of **public procurement**, it is a must to adopt additional measures in order to **minimise a fairly large number of procedural and administrative errors in the conduct of public procurement**. This can be achieved e.g. by continuous improvement of the quality of methodological support to aid beneficiaries, participation of representatives of implementation entities in tenders, conduct of ex-ante checks of tenders by relevant implementation entities prior to their publication, or by the introduction of a list of certified advisory companies in the field of conduct of tenders, namely to be used by aid beneficiaries as well as implementation entities. An equally important area is also the effective support of beneficiaries in the form of clear methodological **interpretation of eligible expenditure**, updates of methodological guidelines and provision of **training and advisory services**.

Apart from preventive measures, also the quality of activities focused on **detecting and addressing the already arisen irregularities** should be increased. A systemic measure in this respect should be an immediate addressing of the situation under the OP using the advance payment, where the application of the **system of advance payments** in connection with the legislation in force results in a large number of mostly financially less significant irregularities. In case of OPs using the ex-ante payments, a procedure should be enshrined in the methodology, pursuant to which the arisen irregularities could be addressed together only at the time of approval of the final monitoring report and the final accounts of the specific project. The referred to mechanism would substantially help **increase the effectiveness of addressing** multiple minor irregularities that arise in connection with pre-financing of expenditure of some projects.

As to the **control system**, the coordination of the conduct of individual controls should be improved, including the more intensive support to cooperation and sharing the results of controls among individual control bodies. In projects financed from ERDF and CF, it will be necessary to gradually shift the focus of controls to the stage of **sustainability of project results**, namely not only in case documentary checks, but also on-the-spot checks, where in the future the majority of irregularities would most likely arise. Based on the data of a fairly extensive **register of irregularities**, such measures should be adopted and implemented the focus of which will help avoid the occurrence of individual identified types of irregularities.

Programming period 2014+

When designing the implementation system for the next programming period, it is necessary to make appropriate amendments to relevant legislation, subordinate legislation and methodological guidelines in order to **remedy the current situation in the area of ex-ante financed projects**, where the application of the **system of advance payments** in connection with the legislation in force results in a large number of mostly financially less significant irregularities, whose addressing later excessively burdens the system of implementation.

An increase attention should also be paid to **setting out more effective system of coordination of controls** conducted by various control bodies at both the national and EU level, which currently represent a large administrative burden for implementation entities.

In order to **avoid the occurrence of individual types of irregularities**, that were detected in the course of the current programming period, it is useful to conduct an in-depth analysis and an evaluation of their causes, detection methods and way of addressing and based on this evaluation to adopt efficient measures, both of preventive and repressive nature.

5 SF and CF Contribution to Support of Selected Socio-Economic Areas

5.1 Approach to Evaluation

The chapter called “SF and CF contribution to the support of selected socio-economic areas“ sums up the conclusions of the analysis of development of socio-economic environment and of the way the development in individual areas is supported from SF and CF. **The conclusions of the analysis of the development of socio-economic environment conducted under EA 1 are linked to the evaluation of physical progress carried out under EA 2.** The evaluation is divided into nine key areas cutting across the NSRF strategic objectives and priorities. It concerns the following areas:

- Business and innovation;
- Research and development;
- Tourism;
- Education;
- Employment and social inclusion;
- Modernisation of public administration;
- Environment and energy sector;
- Infrastructure;
- Regional development and IUDP.

For each of the area above relevant conclusions have been drawn from the analysis of development of socio-economic environment and through the evaluation of fulfilment of relevant output and result indicators the rate of contribution of SF and CF interventions to addressing the given area of development is established. The evaluation of regional development also comprises an assessment of major regional disparities identified in the Strategy of regional development of the CR.

Some parts of the analysis of development of socio-economic environment (e.g. national and regional development of GDP, development of the employment and unemployment rates), which cannot be evaluated with the use of above listed indicators, or can be evaluated only through impact indicators, the assessment of which is, however, not relevant at this stage of programming period, are not evaluated in terms of SF and CF contributions in sub-chapters below. The summary evaluation of these areas will be only possible after a certain period of time after the end of this programming period.

5.2 Business and Innovation

Labour productivity has been gradually growing, but at a relatively low pace, and thus its move towards the EU-27 average has been rather slow. In 2010, the GDP per capita based on the purchasing power parity (PPP) was 80% of that in EU-27.

The share of SMEs in investments in the CR accounted for 60.79 % in 2009, compared to 55.78 % in 2007. In 2010, the share of SMEs in the output of the CR amounted to 51.24 %, while it accounted for 60.88 % in employment, which is by 1 – 2 percentage points higher than in 2007. The significance of SMEs in terms of their share in the output, employment, exports or investments in the economy of the Czech Republic has been gradually growing. Large domestic companies are fairly small in the European or world perspective and at the same time do not show any major growth or expansion to other markets.

The conditions for doing business in the CR have been gradually improving, but in the rankings on the Ease of Doing Business Index of the World Bank in 2010 the Czech Republic still ranked 63 and considerably lagged behind other countries including Slovakia. Considered very bad by the index are also conditions for starting a business (130th) and paying taxes (128th).

This area is mostly covered by OP EI, which reports certain differences in monitoring compared to other programmes, since not all the monitored indicators are set as binding for individual aid beneficiaries. The objectives in this area are also accomplished through the implementation OP PC. Physical fulfilment of supported projects is reflected in the area of employment, environment, innovation, ICT, energy, capacities for industrial RD, conditions for business, infrastructure, and services for entrepreneurs. **This area aims to support the development of business, business environment, innovation and innovative business, and cooperation between business entities and science and research institutions.**

As concerns the indicator of the number of supported projects of SMEs, the achieved value was 5 998 supported projects. The result of monitoring of the physical fulfilment in OP EI is distorting to some extent since a part of activities is supported through the financial instruments of START programme and its implementation through ČMZRB (the Czech-Moravian Guarantee and Development Bank). In OP PC, this indicator monitors more than 50 % of supported projects to which 8.3 % of funds is committed. At present, **a fairly remarkable progress has been achieved** in the fulfilment of target values of supported projects, nevertheless due to the total number of business entities it does not constitute a significant impact on the development of SMEs. In 2007, there was a total of 1 034 thousand SMEs in the CR and this number gradually declined to approximately 990 thousand in 2009.

In 2009, a total of CZK 8 114.064 million was drawn for the support of small and medium-sized enterprises, i.e. by CZK 2 543.6 million more than in the year before (including the Active Employment Policy funds). The total amount of assistance granted from the state budget (without the Active Employment Policy funds) in 2009 amounted to CZK 3 483.5 million, which was by CZK 1 161.8 million more than in 2008. In recent years, there has been a substantial change in the way of financing the support for SMEs as a consequence of **phasing down the support from national sources in favour of funds from the EU co-financed programmes**. The financial support of SMEs continues to be provided primarily only from the EU Structural Funds and **this economic policy instrument thus becomes crucial for the sake of enhancing the growth of competitiveness of SMEs**. In 2007, the share of SMEs investments in the total investments reached 55.78 %. In terms of impacts, we may state that in 2009 this indicator grew to the level of 60.79 % (sources: MIT). A total of EUR 3 041 312 546 was released for the implementation of OPEI in 2007 – 2013 period from the European Regional Development Fund (ERDF). From 2007 to 31 December 2010, a total of CZK 13.542 billion was authorised, including the transfers to the credit and guarantee fund, for the support of small and medium-sized enterprises, with a total of CZK 7 542.8 million being absorbed under the aid schemes.

The indicator of the number of newly created jobs in SMEs under OP EI has so far reached 15 % of the target value, i.e. through supported projects a total of 227 new jobs have been created. The SMEs sector in 2007 employed a total of 2 033 thousand employees, but this number gradually dropped to 1 936 thousand in 2009. Thus, the **NSRF contribution has so far been very low**.

The direct support to large companies can in some cases also help increase the **competitive advantage of business environment**. The role and potential of large companies for the development of competitiveness of the CR can be attached particularly to the following areas.

Development and availability of specific knowledge since large companies are owners of knowledge. Direct influence is usually made also by intermediary institutions of the cluster type / association, university, etc.. The technology transfer centres are strongly focused on large companies. Cooperation with them is easier. These companies have research budgets and are ready to accept the necessity to put an end to a research if it fails to bring about the expected results.

Training of qualified staff with specific knowledge in cooperation with the secondary vocational schools, secondary technical schools, higher education institutions, universities and R and D institutions, including those with transnational operation.

Cooperation in the form of Clusters when members of clusters are also large companies or companies which cooperate with clusters in one way or another. In case of success and the need of large investments, there is room for mutual cooperation of entities across the cluster. Such an interlinked local concentration of mutually cooperating companies and institutions in a specific branch produces significant synergic effects for SMEs as well as large companies.

Offer of business activities of local sub-contractors – these sub-contracting relationships help considerably improve the quality of local contractors. They also assist in shifting the part of RDI activities to contractors.

Activities in the field of CSR (Corporate Social Responsibility) as a part of voluntary integration of social and environmental aspects in everyday corporate operations. I.e. the inclusion of social and environmental aspects in the corporate strategy, apart from its primary orientation on profit generation.

Support to these areas, however, has to be granted effectively so that the potential financing of large company investments, in cases where public intervention is not necessary, does not result in **squeezing out private investments**.

Innovation and cooperation with R&D

The CR is at the second stage of development, i.e. that its competitiveness is still based on effectiveness rather than on innovation. In order to achieve the third stage of development (competitiveness based on innovation), it is still essential to support the intensity of RDI in prospective branches by suitable instruments and to create conditions for further development of RDI in business sector.

The innovation performance of Czech companies in international comparison in 2009 indicates that the Czech Republic lags behind the EU-27 average, especially in the field of human resources for innovation (85 % of EU-27 average), financing the support for innovation (63 % of EU-27 average) and in the field of throughputs of the innovation process, i.e. primarily in the field of protection of industrial property rights (49 % of EU-27 average). On the contrary, the Czech Republic has reached the EU-27 average in corporate investments to innovation and is slightly above the average in the categories of innovative companies (102 % of EU-27 average) and in economic effects of innovation (108 % of EU-27 average). In general, considered a major problem in the CR is **inadequate supply and use of venture capital as a financing instrument**. The rate of use of venture capital in the CR is only at the level of 10 % of EU-27-average. The MIT under OP EI is currently preparing a project for setting up of a venture capital fund.

The fulfilment of the OP EI indicator in the area of innovative activities as at the date of evaluation reached 19 % of the target value and the commitment of beneficiaries achieved approximately 59 %. Since the Innovation programme with regard to contributions, effectiveness (and also absorption capacity) and physical progress is considered one of the most important instruments for the fulfilment of priorities in the area of competitiveness, the accomplishment of programme objectives and the contributions to the fulfilment of strategy in the required scope can be anticipated.

As concerns the industrial property rights, the **number of patent applications** in the Czech Republic has traditionally been **strongly below average**. The fulfilment of indicators suggests that the OP EI and OP PC help encourage the companies to be active in the area of patents. In total, these indicators have achieved the level of 177 patent related activities. The rolling data indicated that approximately CZK 21 thousand was spent on a single activity implemented under OP EI. The number of granted patents increased from 3941 in 2007 to approximately 4600 patents in 2010.

The international research and development projects have been supported under OP EI in 94 cases totalling more than CZK 89 million of committed funds, of which in 19 cases the target value of the indicator has been fulfilled.

The rate of cooperation between the public and private sector in RDI reports a major increase, but it is still far from reaching the EU-27 average (68 % of EU-27 average). The public and private expenditure on RDI expressed as a ratio to GDP tends to stagnate, even though there was a remarkable

increase in the value of the summary innovation index. Whereas in large companies the expenditure on R&D in 2006-2009 period kept declining, in small and medium sized companies there was a moderate increase of expenditure on R&D.

The R&D activities are concentrated mainly in Prague which reports the highest share of government spending on RDI. In the other regions of the CR, private expenditure on RDI of enterprises prevails. The intensity of cooperation between the public and business sector in RDI is still low.

The knowledge economy index has been slightly growing, globally, however, the CR ranks only 28th, behind Estonia, Slovenia and Hungary. The expenditure on R&D in 2010 accounted for 1.61 % of GDP as against 1.54 % of GDP in 2007. The CR thus lags behind the EU-27 average which was 2.01 % of GDP in 2009. In the innovation index, the CR reached the value of 0.41, which is still below the EU-27 average (0.52).

According to the Global Competitiveness Report 2010 – 2011, the CR fell in the area of availability of scientists and engineers, namely from the 44th position to 61st position in the world.

The number of projects on cooperation between companies and research institutions under OP PC reaches 5.7 % of supported projects, with the funds committed to these projects amounting to 8.3 %, i.e. approximately CZK 0.5 billion of commitments. So far 12 % of the target value of this indicator has been achieved.

There are **important positive synergies between OPEI and OP RDI**. The OP RDI addresses the supply side of the innovation process, i.e. a targeted focus on academia, higher education institutions and research institutes. The OPEI addresses the demand side of the innovation process, i.e. the measures for start-up of new innovation companies, development of R&D capacities in enterprises and in the area of commercialisation of R&D by individual companies. The support to projects under these operational programmes thus leads to vertical and horizontal synergies, and the OPEI projects often represent a follow-up to OP RDI projects.

5.3 Research and Development

In 2010, the total expenditure of the CR on R&D reached almost CZK 60 billion, which equals 1.61 % of GDP. Following a slight decline in 2008, the years 2009 and 2010 witnessed again an increase in the total expenditure on R&D to 1.53 %, or 1.61 % of GDP respectively. In 2009, the state budget appropriations to R&D totalled CZK 21.9 billion, while the business sector spent CZK 33.2 billion on R&D. Although the state budget appropriations to R&D **have grown in recent years**, the business sector exhibited **stagnation or a slight decrease**.

The development of this area is at the centre of attention of OP RDI but it is also supported from OP PC and OP EI. It aims to enhance the level of research and technological development, development of cooperation between the public and private research and development centres, application of research and development results in the form of production and product innovations, technology transfer, and to boost investments in human resources in the field of research and development.

The total allocation for OP RDI is approximately CZK 60 billion and the programme is broken down to 4 priority axes and the technical assistance. A third of the allocation is channelled to the first axis which supports the development of state-of-the-art R&D institutes with unique infrastructure and certain critical size, and to the second axis supporting regional research centres focused on application. The third axis focuses on the development of infrastructure for commercialisation of R&D results, while the fourth axis is targeted at improving the quality of tertiary education, modernisation of the system and its links to practice.

In the framework of OP EC, the most relevant in terms of RDI is the Axis No 2. It seeks to modernise the tertiary education, to increase the attractiveness of the system for employees and to establish partnerships for the implementation of joint research projects.

Component activities of OPEI are directed at accomplishing the global objective of the programme, which is the increasing of competitiveness of Czech economy and bringing the innovative performance of companies closer to that of the leading European countries. The programme

concentrates on the development of business environment and the stimulation of transfer of R&D results to the market sphere. The RDI matters are addressed by priority axes 4 and 5 and by the individual programmes Innovation, Potential, Prosperity and Technology Platforms.

An important activity supported from OP RDI is the **building of research and development capacities**. In consequence of delayed launch of the programme and approval of individual projects, the so far achieved values of indicators are very low. Recently, however, the commitment of beneficiaries thanks to the approved projects has reported an increase in the number of centres of excellence to 140 % of the target value and in the number of operational regional R&D centres to 170 %. High values were also seen in the commitments of target values of indicators at beneficiaries – the number of projects of cooperation between the application sphere and centres of excellence (170 % of the target value) and regional R&D centres (437 % of the target value). The commitments of beneficiaries show that in research and development a total of 4 117 jobs, 36 regional R&D centres and 7 centres of excellence should be created.

In 2010, the state budget funds for pre-financing of projects under EU programmes and EEA and Norway Grants accounted for nearly 14 % of the volume of total SB expenditure on R&D and thus have a **significant impact on the development in this area**. As concerns the involvement of the Czech Republic in international programmes on R&D support, **the situation is unsatisfactory**. As against the other EU Member States, the potential of Czech R&D capacities is still not fully exploited due to inadequate links between the R&D activities and international activities.

The R&D capacities are still concentrated in Prague, in 2009 altogether 37.8 % of all R&D expenditure was channelled to Prague, as against 42.2 % in 2007. Other regions with a fairly strong presence of R&D capacities are the Central Bohemian region (18.2 %) and South Moravian region (14.5 %). In regional perspective, the R&D capacities supported under OP RDI are developed most frequently in South Moravian region (18) and Moravian-Silesian region (8).

The indicators *“Number of cooperation projects between the application sphere and centres of excellence”* and *“Number of cooperation projects between the application sphere and regional R&D centres”* show high level of commitments of beneficiaries, but the currently achieved values are very low, namely 0 %, or 37 % respectively due to only a gradual launch of planned activities of supported centres. This has an influence also on the fulfilment of another indicator, namely the *“Number of students of master and doctoral study programmes using the developed infrastructure”*. So far the commitment of beneficiaries is four times higher than the target value, but in reality 0 % of the target value set at 500 has been achieved. In 2009, more than 60 thousand students were enrolled in technical science study programmes of higher education institutions which means that if the target value is achieved, **less than 1 % of these students** could use this infrastructure.

The indicator *“Reconstructed, extended and newly built capacities”* has so far been committed above the target value, but due to delayed implementation of projects only 2 % of this capacity, i.e. approximately 4 000 m², has been achieved.

5.4 Tourism

Tourism

The importance of tourism for national economy has slightly dropped in consequence of economic crisis. The share of tourism in GDP slightly fell from 2.9 % (2007) to 2.8 % (2010), the share of tourism in total employment has come to a standstill at the level of 4.6 %. The total number of tourists (domestic and foreign) dropped from 12.96 million (2007) to 12.21 million (2010).

The area of tourism is supported under IOP, ROPs and OP PC. The aim is to reinforce the role of tourism as an important development activity assisting in the development of business, contributing to the growth of employment and creation of new jobs.

The indicator *“Number of newly created jobs”* in projects for the development of tourism is committed above its target value and through the implemented projects 54 % of the target value has so far been achieved, i.e. 872 new jobs have been created in this sector. The number of persons employed in

tourism in 2007 totalled 236 024 and gradually grew to 239 499 in 2009. In this period, altogether 3475 new jobs were created, namely through the implementation of projects under ROPs which strongly helped achieve this growth.

The trend of concentration of visitors and cultural events in attractive tourist locations still continues. Ranking among the most visited regions in a long-term horizon are Prague, South Moravian and South Bohemian regions. The cultural infrastructure and supply of cultural services are concentrated mainly in large cities. Local development of cultural infrastructure lacks any horizontal system and relies predominantly on civic activities.

The number of beds in newly set up or reconstructed establishments, the aim of which is to increase the capacity or quality of accommodation in collective accommodation establishments, reached the value of 7 522, i.e. triple the target value. The commitment of beneficiaries has so far reached the value of 15 472. The development of accommodation capacities has undergone substantial changes recently, the accommodation capacities in camping sites and accommodation establishments of lower categories have been on a decrease, while the capacities of hotels and bed and breakfast facilities have grown. In 2006-2009, the number of beds in the CR grew approximately by 21 thousand, but in 2010 there was a significant decline by approximately 14 thousand to the total of 449 068. The contribution of projects co-financed from EU SF to tourism as a whole thus remains troublesome. With respect to all the evaluated indicators, in regional perspective the largest number of projects is implemented in the South Bohemian region where tourism plays an important role for the development of the region.

Cultural monuments

Tangible and intangible cultural assets are step by step reconstructed and revitalised, but a desperate need of funds still prevails. Locations that are less attractive for tourists, usually suffer from lack of financial resources, which results in limited care of cultural heritage. The list of the most endangered intangible monuments, compiled by the NHI, comprises 745 intangible cultural monuments in danger. The exploitation of the cultural wealth potential is evaluated among other things by the indicator of the number of regenerated intangible cultural monuments financed under IOP, where the commitment of beneficiaries reached 340 % of the target value, nonetheless the value achieved so far has been very low (5 %) since these projects are fairly extensive. In reconstructed sites which were made accessible to the public (including technical monuments) listed in the Central List of Cultural Monuments that have been repaired within projects co-financed from ROPs and OP PC, the commitment has been fulfilled to 178 % and the indicator has been achieved to 84 %, which can be considered a **very positive result** of interventions to this area. Recently, the situation has remarkably improved thanks to the use of EU funds, but there is still a need of more financial resources for additional investments. The list of the most endangered intangible monuments, published on NHI website, includes an inventory of 745 monuments (600 units and 145 parts) in the CR.

The system of publicity and development of tourism is inconsistent and poorly coordinated. The cooperation and partnership between public administration and business entities in tourism are not adequately developed.

Quality in tourism

As concerns the introduction of quality standards in tourism services, **no monitored indicator is being fulfilled**, neither the number of newly classified and certified entities, nor the number of introduced standards in tourism services, namely due to slower commencement of this project by MRD than originally planned.

5.5 Education

The CR still has a **high percentage of population aged 24 – 64 with the attained upper secondary education**. At the beginning of the programming period, a problem was the **low share of population with higher education, the limited capacity of tertiary education, and insufficient number of graduates from technical and natural sciences study programmes**. Despite a considerable annual increase in the number of students of and graduates from higher education institutions, in terms of the share of graduates from higher education institutions in the 25 – 34 age group the CR in 2009 ranked the last among EU-27. In 2010, a total of 118 728 students were enrolled in higher education institutions and tertiary technical schools, which is by 10 % more than in 2007. Positive is the fact that the **increase in the number of enrolled students is seen primarily in natural and technical sciences**. In total, the number of students in tertiary education in 2006 - 2009 period grew by 23.5 % to 416.8 thousand students. With regard to capacities of higher education and stagnant public spending on this area, the risk of lower quality of education and graduates increases.

The support for education from the Structural Funds is granted especially via OP EC and in the territory of the City of Prague via OP PA. Under OP EC, altogether 187 309 students of initial education have been supported, with the existing commitment of beneficiaries being up to 600 thousand supported students. This **covers almost 30 % of all pupils and students in initial education in the CR**, who in 2009 totalled 1.85 million. Altogether 108 thousand students of higher education institutions have so far been successfully supported from OP EC, with the commitment of beneficiaries being up to 311 thousand students, which **covers roughly 75 % of all the students in tertiary education** and thus constitutes a significant support from the Structural Funds to this area.

The participation in education and vocational training in the framework of **life-long learning** has been on an ascending trend, nonetheless it has not reached the EU-27 average yet. In 2007, a total of 6.045 million adults aged 25-64 took part in adult education. Up to now, i.e. throughout the period of more than 4 years, a total of 71 485 persons have been supported from OP EC. It means that **the annual assistance from the Structural Funds for adult education is directed at less than 1 % of adults participating in adult education**.

The CR reports a lower share of public expenditure on education than EU-27. The annual allocation of support under **OP EC accounts for approximately CZK 7.4 billion**. For the sake of comparison, the state budget and the territorial budget expenditure on education in 2010 totalled CZK 152.6 billion. The Structural Funds thus cover only a negligible part of funds channelled to the area of education.

5.6 Employment and Social Inclusion

Employment

For a long time **the employment rate in the CR has been above the EU average**. The structural unemployment and flexibility of labour market in the CR is comparable to that in Slovenia and lower than in Poland or Slovakia, or even in Germany. To increase the employment and employability is the objective of OP HRE in particular, in the framework of which this objective is accomplished by almost all the projects through support to the unemployed. This area is covered by OP HRE projects with financial requirements currently of approximately CZK 40 billion. At the same time, new jobs are also created under OP HRE, which are, however, rather of a short-term nature. Jobs are also created in the framework of implementation of projects under OP EI, OP PC and ROPs. The support granted under thematic OPs helped create a total of 46 644 jobs and 1 830 jobs have been created through ROPs. **The creation of new jobs with the assistance of support from the Structural Funds and the number of supported unemployed persons, however, meet the needs of the CR to certain degree only**, namely since the total number of job seekers exceeds 500 thousand.

From 2007 to 2010, the annual average unemployment rate in all the regions went up, but **there are still regional differences**. Whereas in Karlovy Vary, Ústí nad Labem and Moravian-Silesian regions the unemployment rate in 2010 was higher than 10 %, the lowest unemployment rate was reported by

Prague (3.8 %), Central Bohemian region (5.2 %) and South Bohemian region (5.3 %). Thanks to the support from Structural Funds the largest number of jobs was created in the Moravian-Silesian and Ústí nad Labem regions, which means that the **support from Structural Funds has been channelled especially to regions with higher unemployment rate.**

Thus the long-term unemployment rate in the CR, following a considerable drop to 2.0 % in 2007-2009 period, rose again in 2010 to 3.0 %, i.e. slightly above the level of 2007. In 2010, however, **the long-term unemployment rate** increased in the majority of EU Member States and thus in terms of this indicator the CR remains to be **below the EU average**, which in 2010 equalled 3.9 %. The number of long-term unemployed persons, i.e. persons with no job for more than 12 months, amounted to 159.6 thousand in 2010 (source: CSO). In this light, **only a limited number of the long-term unemployed have been supported from the Structural Funds**, namely a total of 18 254 supported persons, of whom 983 persons in the territory of the City of Prague.

Social inclusion

The most relevant topic for social inclusion is the **Strengthening of social cohesion** that seeks to create equal opportunities for all and to remove the barriers to integration of vulnerable groups or groups at risk of social exclusion.

In the society, **the inequality of men and women in the labour market still prevails.** The CR reports the biggest wage difference between men and women in EU-27. The percentage of women taking on a part-time job in 2010 was 9.9 %, which is considerably below the EU-27 average (31.9 %).

In recent years, the demographic development in the CR has shown **a slight increase in the population**, as a result of both the natural increase and immigration from abroad. At the same time, the life expectancy has been rising both in men and women, which places higher requirements on the pension system and **calls for the implementation of a pension reform. The health care public and private expenditure as a share of GDP is below the EU average.** This drawback in the CR is, however, to some extent **offset by the Structural Funds contributions**, especially from IOP and ROPs. Nonetheless, in the future the health care reform shall be implemented and higher effectiveness of spending in this area shall be sought.

Number of persons at risk of poverty or social exclusion fell in 2007 - 2009 period from 1.832 million to 1.448 million persons, but the year 2010 witnessed a slight increase to 1.495 million persons. Thus, it concerns 14.4 % of the Czech population, while the EU-27 average in 2010 was 23.4 %.

Objectives in the field of social inclusions are being gradually fulfilled. The introduction of new social services and activities and alternative social services has, however, somewhat lagged behind, namely due to lower absorption of funds in the social area under IOP, where roughly one third of planned projects is under implementation. On the other hand, though, **successfully implemented are projects on the development of health risks prevention programmes** and programmes focused on promoting healthy lifestyle for the whole population of the CR and predominantly for specific vulnerable groups at risk (children, youth, patients who had suffered specific diseases, etc.).

The support to social cohesion is also at the centre of attention of projects under OP HRE, which apart from other things also creates **jobs for disadvantaged groups.** The originally set target, however, had to be redefined in consequence of economic crisis and its negative impact on employment. The target value has therefore been reduced from 5 000 to 2 000 jobs.

Bearing in mind the economic development of the CR as well as the EU, matters related to social inclusion and combatting the poverty **shall be paid attention to also in the future.** The resolution of these matters has therefore only rightfully become one of the objectives of Europe 2020 strategy and the national development priority.

5.7 Modernisation of Public Administration

The quality of public institutions in the CR continues to represent **one of the most pressing issue** and the CR ranks 20th in EU-27 in this respect, while globally in 2010 the CR fell in the rankings to 72nd position among 139 countries. The reason behind is primarily the low transparency of government policy and law enforceability, ineffective use of public funds, and high level of corruption and regulation.

A specific issue is a **high level of corruption**, where the situation keeps deteriorating. In the Corruption Perceptions Index the CR fell in the rankings of 178 countries from all over the world from the 41st position (2007) to 53rd position (2010). In EU-27, the CR fell in the rankings from the 19th-20th position (2007), which it shared with Italy, to the 21st position (2010).

The activities targeted at the increase of institutional capacity, quality, effectiveness and transparency of public administration and public services are supported **from ESF through OP HRE**. The above described situation in the functioning of public administration thus necessitates further support to be provided to these activities, namely despite the fact that e.g. in education and training of public administration employees the objectives set out by OP HRE concerning the number of successful graduates from training courses have almost been achieved. Apart from education and training of public administration staff, the OP HRE projects are also directed at increasing the quality of public authorities' management, introduction of project management, optimisation of processes, etc. A notable improvement of public administration functioning is nonetheless **limited due to the absence of a political consensus on reforms in this area**, which is also demonstrated e.g. by repeated postponement of the date of entry into force of the Civil Service Law. This has a negative impact on the stability (retention) of human resources in public administration organisations and on the development of their quality and professionalism.

Gradual progress has been seen in the field of **e-Government**. The e-Government related activities are supported through interventions under IOP and OP PC. In the territory of the City of Prague, the number of new fully digitised agendas has been on an increase thanks to the support from OP PC, with the target being the creation of 15 fully digitised agendas.

One of the OP objectives is **the introduction of the system of electronic records management and electronic document flow at authorities in all the municipalities of the CR**. The progress reported in the accomplishment of this objective has so far been negligible since this objective has been accomplished only in 825 of 6 263 authorities. At regional authorities and in municipalities with extended powers, **data repositories** have been gradually put in place for the purpose of e-Government. A data repository has so far been established at 38 of 219 authorities, nevertheless more projects are under implementation that should lead to the creation of data repositories at additional 132 authorities. These activities are supported from IOP funds.

As against the EU average, **the CR still lags behind in the use of Internet in relation to public administration**. In 2010, in relation to public administration the Internet was used by 23 % of individuals, which is below the EU-27 average (41 %). In the CR, on-line completion of forms was used only by 6 % of individuals aged 16 – 74 as against the EU-27 average of 21 %. In terms of businesses, in 2009 the Internet was used by 89 % of enterprises for communication with public administration, which is above the EU-27 average of 75 %. However, only 57 % of enterprises used the Internet for on-line completion of forms as against the 60 % in EU-27.

The IOP has nonetheless significantly contributed to the setting up of a network of **Czech POINT contact points**, which made it easier to communicate with the government, namely via a single universal point. These contact points are currently in place in all the municipalities of the CR. After 2012, the modernisation of public administration should be further enhanced by the **establishment and interconnection of basic registers of public administration**, i.e. the register of inhabitants, register of rights and obligations, register of persons, and register of territorial identification addresses and real estates.

5.8 Environment and Energy

Water management

The total number of wastewater treatment plants continues to grow, the public sewerage network has been gradually extended, which increases the share of population connected to the public sewerage system and also the sewerage network connected to a wastewater treatment plant. Also the share of population connected to a water supply system has been growing. The amount of pollution discharged by point sources has been on a decline and the quality of water in water courses has been improving. The referred to changes in water management are substantially supported through OP E interventions.

The allocation of OP E funds to interventions focused on reduction of water pollution in the amount of approximately CZK 42.3 billion should satisfy the requirements for investments necessary to meet the wastewater treatment obligation. The target value of 350 **new, reconstructed or intensified WWTPs** in municipalities of more than 2000 population equivalent has so far been covered by commitments of beneficiaries only to approximately 20 % and only roughly 10 % has already been achieved. The MA, however, stated that this target value was wrongly set at the beginning of the programming period, which is why it will be revised, i.e. substantially reduced. The modification of this target value should create preconditions for the fulfilment of this indicator.

In 2007, the CR had almost 37.7 thousand km of sewerage network. Based on the conducted research, it will be necessary to gradually clean up approximately 30 % of the sewer system. The target length of **new and reconstructed sewage mains** of 120 km thus equals roughly 1 % of sewerage network that has to be cleaned up. The target value, however, was successfully exceeded already in the first half of the programming period more than eleven times in terms of the commitment of beneficiaries and almost eight times in terms of the achieved value. Thus, the percentage of sewerage network that will require a clean-up grew to 10.4 % or 7.4 % respectively. Since the subject matter of projects implemented under this intervention area is not only the reconstruction of sewerage network, but also the development of new sewerage mains, these activities contribute significantly to increasing the share of population connected to sewerage network and wastewater treatment plants.

The investments in the above referred to areas have had a positive impact on **reducing the discharged pollution expressed by CHSKCr indicator** (determination of chemical oxygen demand by dichromate), where the target is reduction by 5 000 tonnes annually, which means that with the value of 2007 being less than 48.9 thousand tonnes, the target set by OP E is the reduction by approximately 10.2 % as against the level in 2007. The current commitment of beneficiaries is 1.5 times the target, while the so far achieved value equals one fourth. The level of commitment, however, creates good preconditions for the fulfilment of this indicator and the OP E should thus significantly contribute to the reduction of the discharged pollution concerned.

The improvement of drinking water supply is the aim of the indicator monitoring **the number of reconstructed and newly constructed drinking water treatment plants**. As to the significance, it is only a marginal item of OP E since the target value of 5 drinking water treatment plants represents only a fragment of the total number of drinking water treatment plants in the CR. The fulfilment of the indicator has so far been fairly low, the commitment is 40 % of the target value, with only one water treatment plant finished so far. In case of the construction of new water treatment plants, the project usually includes also the construction of a water supply system, therefore these projects partially contribute to the increased share of population connected to the water supply system.

Natural disasters in the form of floods have been fairly frequent in the CR in recent years. The flood protection measures are also addressed under OP E, which **gives support to the connecting of flood authorities (commissions) to the system of communication of notifications and warning information for flood control**. The target value of 120 connected flood authorities has so far been fulfilled in terms of commitments of beneficiaries almost to 90 % and the achieved value exceeded 70 %. Even though these activities are fairly insignificant in terms of volumes of funds, the achieved results will contribute considerably to better quality of the flood control system.

Air quality

Emissions of air pollutants have been successfully reduced, but unfortunately **the area of the Czech territory with deteriorated air quality has grown** as well as the number of inhabitants exposed to above the limit concentrations of pollutants. Considered critical is the air quality in the Moravian-Silesian region. Improving the air quality is yet another pivotal theme of OP E, but to a certain extent it is also supported from OP EI in the areas focusing on improving the air quality, reducing the energy consumption and increasing the generation of energy from RES, especially through the support to projects on purchase and installation of facilities using RES and on energy intensity reduction.

In air protection, the activities focus on the improvement of air quality and reduction of emissions. In this respect an important indicator is the “*Reduction of CO₂ emissions*”, the target value of which is set at the reduction of emissions by 250 thousand tonnes per year. In 2007, the CO₂ emission in the CR were approximately 125 million tonnes, which means that the set out target is only roughly 0.2 % of this volume. The commitment of beneficiaries in projects implemented under OP E currently equals approximately 115 thousand tonnes, but the reduction by 16 thousand tonnes only has so far been achieved. When also the projects with this indicator implemented under OP EI are included, the commitment goes up to approximately 2.3 million tonnes and the achieved value approximately to 267 thousand tonnes, i.e. above the target value. Nevertheless, taking into account the above mentioned values, the OP contribution to the solution of this issue can be perceived as rather limited.

Use of energy sources

Power generation has shifted **towards the environmental friendly sources**, the power generation in steam power plants has dropped, while the **power generation in nuclear power plants and from renewable sources has gone up**, with an annual increase in the volume of heat generated from solar energy and heat pumps.

The energy intensity of the Czech economy has been gradually declining, the consumption of primary energy sources has decreased and there has been a considerable drop in consumption especially in solid fuels. The largest share of households is heated with natural gas heating or central heating systems. The number of households using these types of heating keeps increasing. The Czech Republic still consumes, with respect to the generated GDP, more primary sources of energy and electricity than really necessary and the **energy consumed has only a very low added value**. Notwithstanding the progress achieved, the energy and electricity intensity of GDP generation in the CR is still high as against the EU average.

Sustainable use of energy sources is addressed by OP E and OP EI. One of the main objectives is **the reduction of energy consumption** by 10.1 million GJ annually, which with the total consumption of nearly 1.15 billion GJ in 2007 represents the reduction by approximately 0.9 %. The contribution of these OPs to the reduction of the overall energy consumption is therefore rather limited. The current commitment of OP E projects exceeds 1.2 million GJ, in OP EI projects it exceeds 4.5 million GJ and the already achieved value is 0.2 million GJ, or less than 0.3 million GJ respectively. In case of OP E, the driving force behind the fulfilment of the indicator is primarily the great interest of applicants in the implementation of energy savings measures and exploitation of waste heat, secondarily the construction of new facilities and reconstruction of the existing facilities in order to increase the use of RES. Under OP EI, the indicator is being fulfilled through the implementation of activities aimed at using renewable and secondary energy sources and increasing the effectiveness in power generation, transmission and consumption. Bearing in mind the current level of commitments and absorption capacity in the relevant intervention areas, we may state that the indicator is likely to be fulfilled, the more so in case of more intensive OP E activities focused on construction and reconstruction of power generation facilities from RES.

Related to the above is also the **increase of capacities for power generation from RES**, with the target value set at 575 MW. The installed capacity of RES power plants in 2010 was approximately 3.2 GW (wind, hydro and photovoltaic power plants), the support from OP E and OP EI should

therefore represent a fairly significant increase of capacities by almost 18 %. The commitment in OP E projects currently equals approximately 32 MW, in OP EI it equals approximately 235 MW, with the already achieved value of approximately 18 MW or approximately 31 MW respectively. This indicator is being fulfilled especially thanks to OP EI projects, with the relevant intervention area reporting a major interest of applicants, while the relevant intervention area of OP E lags behind in absorption as stated above.

Other related indicator in the area of sustainable use of energy sources is the *“Increase of power and heat generation from RES”*, with the target values set at 1 100 GWh/year, or 1 200 TJ/year respectively. Compared to power and heat generation in 2007, when the power generation from RES exceeded 3.4 thousand GWh and the heat generation from RES was 50 thousand TJ, the implementation of OP EI projects should lead to their increase by approximately 32 %, or approximately 2.4 % respectively. **As concerns the power generation from RES in particular, the OP EI contribution to its increase can be viewed as essential.** As to the commitment of beneficiaries, the situation is favourable since the commitments exceed 80 % of the power generation target and by more than 2/3 exceed the heat generation target, nonetheless the achieved values in both the cases are only at the level of approximately 4 % or 3 % respectively. Bearing in mind the current level of commitment and high attractiveness of the relevant intervention area of OP EI, the fulfilment of this indicator can be foreseen.

Environmental load

The CR still has **a large number of locations with environmental load**, the clean-up of which does not proceed at a satisfactory pace. The tender for a clean-up of the worst environmental loads was cancelled. In 2008, almost 9 500 locations with environmental load were registered in the territory of the CR.

The OP E in the area of environmental loads aims at **the removal of old environmental loads** covering the area of 1 million m². Due to the overall scope and financial requirements for the removal of old environmental loads in the territory of the CR, the set out objective and funds allocated to its accomplishment represent only a partial contribution to the resolution of this issue. The commitment of beneficiaries currently slightly exceeds the set out target value and 2/3 of the target value has already been achieved, which means that preconditions for the fulfilment of this target have been created.

Environmental education and public awareness

Development and provision of environmental education is the outcome of joint efforts of state institutions, professional organisations and non-governmental non-profit organisations which are involved in multiple education activities. Environmental education builds on the strategic document called the State Programme of Environmental Education and Public Awareness in the Czech Republic. The Ministry of Education, Youth and Sports based on this programme and the National Programme for the Development of Education in the CR guarantees environmental education at schools. Since 2007 the Framework Education Programme for Elementary Education has been in place, with environmental education being one of its six obligatory cross-cutting themes.

Ranking among the OP E objectives is also **the building of horizontal and accessible network of environmental education and awareness raising centres, information centres and environmental consultancy centres**, and further development of environmental consultancy activities. In this context **30 premises / centres should be purchased, built or reconstructed and equipped.** The commitment of beneficiaries has almost reached the target value, with one half of the planned number of premises already completed. This creates a prerequisite for the fulfilment of this indicator in the second half of the programming period. Projects of this type have so far been implemented in 8 regions. In order to safeguard the national presence and accessibility of the network of environmental education centres, it would be fitting to support such projects also in the remaining five regions, unless such activities have already been performed.

5.9 Infrastructure

Road infrastructure

Low quality and development of transport infrastructure prevails, connection to the neighbouring countries and the number of important regional centres is inadequate. In terms of quality of road infrastructure, in 2010 the CR ranked 80th among 139 countries. Underdeveloped is the network of motorways and expressways, very low is the quality of Class II and Class III roads. In 2006, almost 1.3 thousand km of high-capacity road network remained to be built in order to meet the planned length of motorways and expressways of almost 2.2 thousand km. The standard parameters were met only by 45 % of the Class I roads, 15 % of Class II roads and 13 % of Class III roads. Almost a half of the Class I roads were in substandard condition or in the state of disrepair, while 47 % of the Class II and Class III roads was in the state of disrepair.

The expert study¹ elaborated for the MoT in 2006 with the outlook to 2015 calculated the expected costs of the construction and upgrading of motorways, expressways and Class I roads at CZK 572.5 billion. **The OP T allocation for the referred to types of roads in the amount of approximately CZK 76.2 billion thus covered roughly 13 % of the total required investments** with respect to the situation at the beginning of the programming period. **In this light, the SF and CF are to be perceived as an important tool for the support of development of road infrastructure.**

The road network of the CR in 2006 was almost 55.6 thousand km, of which approximately 0.96 thousand km were motorways and expressways, roughly 6.2 thousand km were the Class I roads and roughly 48.8 thousand km were the Class II and Class III roads. The main road routes for international traffic comprised approximately 0.75 thousand km of motorways included in the backbone TEN-T network and additional approximately 1.2 thousand km of motorways and expressways included in the additional network, i.e. altogether roughly 1.95 thousand km.

The OP T objective is to construct 120 km of **new motorways, expressways and Class I roads in the TEN-T Network** and **new 48.3 km of these types of roads outside TEN-T** and **to reconstruct Class I roads outside TEN-T** in the length of 85.2 km. The set out objectives indicate that with regard to the referred to data and needs the OP T interventions will have a strongly positive impact especially on road network in TEN-T Network, while the scope of support to road infrastructure outside TEN-T is rather limited. The commitments to the construction of new motorways, expressways and Class I roads in the TEN-T Network have already exceeded the planned target by 11 %, but not a single kilometre of these roads has been completed. The reason is the fact that under Intervention area 2.1 no project has so far been completed, in some projects the pilot operation on some sections of the roads has commenced. By the end of the programming period, the projects should have been moved from pilot to regular operation. Following that, the achieved value of the indicator will be reported, which, if all the projects are completed, should result in the exceeded target value by approximately 10 %. As concerns the new roads outside TEN-T, the commitment more than 2.5 times exceeds the planned target value and the length of so far constructed roads represents the excess of the target value by almost 70 %. In reconstructed Class I roads outside TEN-T, the fulfilment of indicator proceeds at a slower pace, the commitment equals approximately 85 % of the target value and the completed reconstructions represent approximately 65 % of the target value. Judging from the commitment and state of absorption under the relevant priority axes of OP T, we may state that all the above referred to indicators for road infrastructure will be fulfilled.

As stated above, the length of Class II and Class III roads has been as a matter of fact the same ever since 2006 and equals approximately 48.8 thousand km. Based on an expert study conducted for the MoT in 2006 with the outlook to 2015, the forecast costs of upgrading of Class II and Class III roads are calculated at CZK 60 billion. **The total ROPs allocation for Class II and Class III roads in the amount of approximately CZK 34.7 billion thus covered more than a half of the total investment requirements** with respect to the situation at the beginning of the programming period. The ROPs aim at the **construction of new and reconstruction of the existing Class II and Class III roads** in the

¹ Rozvoj dopravních sítí v ČR do roku 2010 s výhledem do roku 2015 (study of the MoT CR, 2006)

total length of approximately 1.4 thousand km, with reconstructions being predominant. When taking into account the above stated facts, it is obvious that the support for reconstruction of Class II and Class III roads will undoubtedly contribute to the improvement of situation in this area, nonetheless it will meet only a fairly small part of the overall needs, thus it constitutes only a complementary instrument to the national policies in this area. The importance of this support for the individual NUTS II or regions is proven by the current status of fulfilment of this indicator. In terms of the commitment, the target has almost been fulfilled and the achieved value has reached almost two thirds of the target value. The fulfilment of the indicator, also thanks to high absorption of funds under the relevant ROP intervention areas, should not be jeopardised.

The development of road infrastructure also comprises **the implementation of telematics systems on roads. The intelligent transport systems (ITS) have gradually been introduced** in the CR, particularly through the participation in various European projects and MoT projects implemented in the area of road transport as well as railway, water and air transport.

In the framework of road network of the CR outside Prague, a total of 900 km of motorways and Class I roads should thus be equipped with these systems under the OP T, which represents less than 13 % of the total length of motorways and Class I roads in the CR in 2006. Since this is one of the OP T areas with the slowest implementation, neither the commitment, nor the achieved value was higher than 10 % of the target value of the indicator. The fulfilment of the indicator will thus necessitate the maximum potential support for the submission and implementation of projects in this area. The situation prevailing in the City of Prague is absolutely different, the target value of the indicator is 45 km which represents 2/3 of the total road network in Prague in the length of 72 km at the end of 2006. The commitment under the so far approved projects has already fulfilled the target value and almost a half of the planned target value has already been achieved. The indicator should thus be fulfilled, by which the OP T will significantly contribute to the improvement of quality of road transport in the City of Prague.

Railway infrastructure

The status of railway infrastructure in the CR is much better than that of the road infrastructure, in terms of quality the CR ranked 22nd among 139 countries in 2010. The density of the railway network in the CR and in Belgium is the highest in Europe, but ranking among its weaknesses are especially the **underdeveloped high-speed railway corridors**. Despite the construction and modernisation of high-speed railway corridors, **in terms of speed the railway transport still lags behind the bus transport and car transport in particular**. The railway transport performance has gradually decreased, in 2007-2010 period it dropped by 4.5 % in passenger transport and 15.5 % in freight transport. It is caused inter alia by still **low transport speed compared to road transport and obsolete rolling stock**. The average age of Czech Railways (ČD) rolling stock in 2009 was approximately 26 years, which places the CR at one of the last positions in Europe. The upgrading of the railway rolling stock is to some extent supported through ROPs under strict conditions for state aid set out by the European Commission.

The length of railway network in the CR is less than 9.6 thousand km, of which in 2006 four upgraded national railway corridors of ČD with the length of lines of approximately 1.4 thousand km fully covered the routes and branches of both the multimodal corridors of TEN-T and two routes of the additional network. Based on the expert study² conducted for the MoT in 2006 with the outlook to 2015, the forecast costs of construction of corridors, upgrading, optimisation, reconstruction and renovation of railway network were calculated at CZK 372.8 billion. **The OP T allocation for railway infrastructure in the amount of approximately CZK 74.1 billion thus covered less than 20 % of the total investment requirements** with respect to the situation at the beginning of the programming period. **In this light, the SF and CF shall be perceived as an important tool for the support of railway infrastructure.**

² Rozvoj dopravních sítí v ČR do roku 2010 s výhledem do roku 2015 (study of the MoT CR, 2006)

The OP T aims to **reconstruct** 348 km of **railway lines included in the TEN-T Network** and 105.2 km of **railway lines outside TEN-T**. The set out objectives indicate that a significant contribution for the development of railway infrastructure in the CR should be made especially by interventions directed to lines included in TEN-T Network, while the support to the other railway networks is rather marginal. At present, the status of fulfilment of both the objectives is similar, with the commitment in case of TEN-T railway lines equalling approximately 78 % of the target value and in railways outside TEN-T roughly 63 %. The currently achieved value has reached 40 %, or 37 % respectively, of the target values. The level of commitment and status of absorption in the relevant OP T priority axis suggest that the indicators for TEN-T railway will be fulfilled. The commitment for railways outside TEN-T is also fairly high even though the implementation is slower, the target value of the indicator should be fulfilled.

The development of railway infrastructure is closely related to the **reconstruction of railway junctions**, 8 of which should be reconstructed under OP T. Currently, projects on the reconstruction of five railway junctions (Břeclav, České Velenice, Praha hl.n., Přerov and Veselí n. Lužnicí) are approved and reconstruction of two junctions (Břeclav and Praha hl.n.) has already been completed. In order to fulfil the indicator, it will be necessary to submit projects on reconstruction of the remaining three railway junctions. If this indicator is successfully fulfilled, the OP T will significantly contribute to the improvement of quality of railway transport in the CR.

Air transport

Air transport has been gradually upgraded. The transport performance of cargo as well as passenger international and domestic air transport has been on a decrease since 2008 in consequence of economic crisis. Despite the opening of new routes by regional international airports (Brno, Ostrava, Karlovy Vary, Pardubice), the number of transported persons has considerably dropped since 2008. None of these airports is connected to passenger railway transport, the public transport is provided through bus services.

Air transport is supported under ROPs, where these activities are monitored through the indicator monitoring the **number of upgraded regional airports**. The target value of 6 airports covers the most important regional airports in the CR. The current commitment fulfils this objective to 50 %, the upgrading of airports in Karlovy Vary and Brno Tuřany has already been completed. In order to fulfil this indicator, it will be necessary to submit and implement at least three more projects. If this indicator is successfully fulfilled, the SF interventions will significantly contribute to the development of air transport in the regions of the CR.

Water transport

Investments in inland waterways in 2010 were almost four times higher than in 2007. Higher investments should result in more intensive use of this mode of transport in the following years. **The waterways have so far been used only to a very limited extent** and the waterway transport constitutes only a fragment of the overall transport performance in both the passenger and freight transport.

Water transport is supported under OP T, under which, however, it represents only a marginal area. The aim of support is to **upgrade** 24 km of **waterways** which covers only less than 4 % of the total length of navigable waterways, which in 2007 accounted for almost 664 km. The current commitment fulfils this objective, with almost a half of the target value achieved in the first half of the programming period. Even though this indicator will most likely be fulfilled, the contribution for the development of water transport will be fairly limited.

Freight transport

Dominant position in freight transport continues to be held by road transport which constitutes approximately 75 % of total transport performance of freight transport. Air and inland water transport represents only a fragment of the total performance of cargo/freight transport, namely roughly 1.1 %.

The development of combined transport has come to a standstill, the number of trans-shipment stations of combined transport has been 13 ever since 2007.

The support for multimodal freight transport and upgrading of inland waterway vessels is monitored through the indicator focused on **newly purchased or upgraded vehicles for combined transport and upgraded inland waterway vessels**. Due to a very delayed implementation of the relevant intervention areas, the target value of 120 of means of transport is currently fulfilled only up to 10 % in terms of the commitment and 5 % in terms of the achieved value. Slow fulfilment is reported also in the other indicator monitoring the newly built or reconstructed sidings. The commitment of beneficiaries as well as the achieved value fulfils the target value of 24 sidings to the degree of 12 % only. The fulfilment of these indicators is strongly jeopardised and bearing in mind the course of implementation of the respective intervention areas it is most likely that these indicators will not be fulfilled. The contribution of OP T to the development of combined transport will thus most likely be lower than expected.

Public passenger transport

Since 2007 the ratio of transport performance of public passenger transport to individual car transport has been at a standstill at approximately 1:2, with a foreseen trend of further decrease resulting in impacts on the quality of environment and intensity of road transport. The integrated transport systems gradually develop especially at the level of regions and large cities, but will continue to require further intensive development and major investments also in the future. At regional level, the investments in the development of public passenger transport and integrated transport systems are made under ROPs.

In the City of Prague, the public passenger transport is supported through OP T and OP PC. OP T should contribute to the **construction of a new metro line** in the length of 5 km, which represents nearly the whole planned six kilometres long section extending the A metro line in the City of Prague. This indicator is not fulfilled at present since the European Commission has not yet approved a major project on metro construction. In case this project is approved and implemented in time, the given indicator will be fulfilled, which will substantially support the extension of metro network in the City of Prague and increase the transport services for their inhabitants.

The OP PC, on the other hand, provides support for the **construction and upgrading of tram tracks**. The target value of this indicator has been set at 9 km, which accounts for approximately 6% of the total length of tram tracks that in 2007 was almost 142 km. The current commitment exceeds the target value by almost 50%, with a completed track of 9 km. Even though the indicator has already been fulfilled and will most likely be exceeded, the contribution of these activities to the development of tram transport in the City of Prague will be fairly limited.

Cycling trails

A specific part of transport infrastructure are **cycling trails, the network of which has been gradually developed** particularly in regions attractive for tourists, which avail of suitable natural conditions. In larger towns their development is slower. There is still a lot to improve in the national coordination of international cycling and hiking trails. With respect to the nature of transport the cycling trails serve, their contribution to the accomplishment of the relevant strategic objective, or NSRF priority, has to be viewed as limited when compared to the other supported activities in the field of transport.

Building and reconstruction of cycling trails is supported under ROPs and OP PC. The study carried out in the CR in 2011 by the Transport Research Centre states that there are 1 900 km of cycling trails and roads suitable for cycling in the CR, of which more than 220 km in the territory of the City of Prague. The ROPs aimed at building or reconstructing of 662 km of cycling trails and routes. Since the current commitment exceeds the target value by approximately 20 % and cycling trails in the length of 2/3 of the planned target have already been completed, we may state that the indicator will be fulfilled and ROPs will thus significantly contribute to the development of cycling trails in the regions of the

CR. Nonetheless, as mentioned above, the building and reconstruction of cycling trails in general contribute only to a very limited extent to the accomplishment of main objectives of NSRF. In the territory of Prague, the target value set under OP PC was 2.5 km. Despite the commitment is roughly three times higher than the target value and the achieved value exceeds the target by more than 2/3, the contribution of OP PC to the development of cycling trails in Prague can be perceived as very limited.

Environmental impact of transport

Individual modes of transport have a negative impact on environment, mainly in terms of air and noise pollution. Ever since 2007, the road transport emissions have been stagnant and in some cases tend to decrease slightly (CO, NO_x, VOC)³. In spite of that the NO₂ emission limit is repeatedly exceeded in locations with heavy traffic. The noise pollution has gradually declined especially in the backbone network (motorways, railway corridors) thanks to the construction of noise barriers.

Reduction of emissions is assisted by the **purchase of new environmental friendly public transport vehicles** which is made under ROPs. Even though the target value of 390 vehicles represents only a fairly small part of the public transport fleet in all the regions of the CR, the implementation of these activities will be of benefit especially in areas with long-term poor air quality. The current commitment already exceeds the target value by roughly 16 %, less than 40 % of the planned number of vehicles has so far been purchased. In regional perspective, the purchase of the largest number of vehicles is planned under ROP MS, i.e. in the region with one of the worst air quality in the CR. Noise barriers are supported from OP T projects implemented in the area of road and railway infrastructure.

5.10 Regional Development and IUDP

Development of disparities in economy

The GDP per capita indicator suggests that since 2000 the CR has slightly approximated the EU-27 average. The rate of regional disparities in the CR following its increase in late 1990s has reached a fairly stable level, **the regional disparities between regions, however, continue to be significant** and their further increase can be foreseen in the years to come due to different dynamic of economic performance.

In terms of GDP per capita, the disparities between Prague and other regions and also between the individual regions keep growing as against the CR average. In 2007 – 2010 period, further **widening of regional disparities in terms of GDP per capita occurred**. In relation to the CR average, the highest GDP per capita is reported by Prague, where an increase from 214.1 % of the CR average to 216.5 % took place. In the Central Bohemian, South Bohemian, Plzeň, Karlovy Vary, Liberec, Pardubice, Highlands and Moravian-Silesian regions, on the contrary, the GDP per capita dropped as against the CR average. Economic disparities between urban and rural areas still prevail, nonetheless the disparities are gradually closed especially in the vicinity of large towns with intensive housing development.

Although the number of population in the CR in 2007 - 2010 period exhibited a slight increase, the development of the number of population in Moravian-Silesian, Zlín, Olomouc and Karlovy Vary regions and in the Highlands region **was sluggish**. The highest increase in population, on the contrary, was achieved in Prague, the Central Bohemian and South Moravian regions. Since 2008 changes in migration behaviour of the population have been also obvious. The highest increase in the population throughout the period was reported by Prague and the Central Bohemian region. The highest **net migration** is reported in Karlovy Vary and the Moravian-Silesian regions. Generally speaking, **the disparities between the individual regions continue to widen**. Suburbanisation, i.e. the moving of inhabitants from the largest towns to their suburbia, is ever stronger and the so called urban agglomerations emerge. It is especially due to this process that the number of population in urban areas decreases in favour of rural areas.

³ CO – carbon monoxide, NO_x – nitrogen oxides, VOC – volatile organic compound

The employment rate in the CR is slightly above the EU-27 and Eurozone average. In 2007 - 2010 period, the situation in employment rate gradually improved and subsequently, starting with 2009, as a consequence of economic crisis deteriorated in all the regions. **The unemployment rate** as a result of economic crisis rose in all the regions, with the **regional disparities remaining unchanged**. The highest unemployment rate in 2010 was reported by Karlovy Vary region (10.8), Ústí nad Labem region (11.2) and the Moravian-Silesian region (10.2). In regions where an extensive restructuring of industry was a must, the unemployment rate is still high and the necessary structural changes fail to be promptly and effectively performed. The average employment rate in tertiary sector slightly grows in all the regions and the development of this disparity can be considered sluggish for a long period of time. Extremely high employment rate is seen in the tertiary sector in Prague. In rural areas, the job opportunities are generally limited, which results in lower economic activity of the population conducive to higher unemployment rate. The unemployment rate in rural areas is an issue encountered especially by persons at pre-retirement age, while the urban areas are faced especially with long-term unemployment.

The share of households with net monthly income **below the subsistence level** keeps changing, with the smallest disparities between regions reported in 2007. Following that, due to the economic crisis, further widening of disparities in this area occurred and in majority of regions the share of household with net monthly income below the subsistence level increased.

Rural areas have a low number of small and medium-sized enterprises capable of long-lasting competitive performance, namely among agricultural primary producers and craftsman's establishments, industrial companies and trades. The decline in employment in agriculture and forestry, including the disappearance of associated production establishments led to reduction of job opportunities. The OPEI helps develop the SMEs in these areas through its programmes on support of business. E.g. the support under the Development programme is channelled to regions with **concentrated state aid** defined in the Annex to Government Resolution No 560/2006, by Government Resolution No 829/2006, and to regions suffering from higher unemployment rate.

Development of disparities in social sphere

According to the Population and Housing Census 2011, the percentage of population of the CR that attained the university-level education is 10.6 %. The majority of persons that attained the university-level education according to the Population and Housing Census 2011 live in Prague, South-Moravian and Moravian-Silesian regions. Prague has **the highest percentage of persons with university-level education** (22.5 %). The lowest percentage of persons that attained the university-level education in the total population is reported by Karlovy Vary region (7.2 %). The highest percentage of population with no education lives in Ústí nad Labem and Karlovy Vary regions, where they constitute almost one percent of the population of the given region. Although the percentage of persons with university-level education in **2001 - 2011 period reported an upward trend** (increase by 46.6 %), it is still necessary to ensure the adequate quality of education of university graduates and their subsequent employment in branches increasing the competitiveness of the CR, while meeting the needs of the labour market. **No significant achievements were made in the last decade in the regional distribution of persons with university-level education.** The beneficiaries of Structural Funds assistance have committed themselves to support of over 600 thousand students in initial education. The highest share in this indicator is exhibited by the South Moravian, Moravian-Silesian and Olomouc regions, whereas the lowest share is reported by Karlovy Vary region. This is, however, caused primarily by the location of higher education institutions in the regions, due to which the inhabitants of Karlovy Vary region usually study in other regions and for reasons of limited job opportunities in Karlovy Vary region they often do not come back after the completion of their studies.

The availability and quality of health care in individual regions varies a lot. High percentage of physicians per number of population in the region is seen in Prague and the South Moravian region, which is related to the centralisation of professional medical care in these regional centres, the lowest percentage on the other hand is reported by Karlovy Vary region. Generally speaking, this indicator

has been improved at both the national and regional level, nonetheless **major regional disparities in the availability and quality of health care prevail**.

The disparity **in the number of beds in social care facilities** per 10 thousand inhabitants is pretty wide and the efforts to reduce it have so far failed. The adverse development in this indicator is brought about particularly by the situation in the City of Prague which reports the lowest values of this indicator, and Liberec region. The highest values are achieved by Ústí nad Labem, Zlín and Olomouc regions. The NSRF, and IOP seek to e.g. establish new social services (alternative services inclusive) and activities. So far, new services have been established especially in the Moravian-Silesian region, although the beneficiaries committed themselves to establishing them primarily in Ústí nad Labem and Plzeň regions. The social situation in individual regions proves that the regional distribution of this support is adequate, however the new social services and activities created are only a few.

In the national perspective, we may state that **the situation in civic amenities in rural municipalities has slightly deteriorated**. The share of municipalities with a school, library and a post office has decreased as well as the share of municipalities with a medical office. On the other hand, the share of municipalities with a pharmacy and the number of nursing homes keeps growing. The Structural Funds for the support of the development of rural areas are granted especially under ROPs. The relevant intervention areas of ROPs usually report major demand for the provision of assistance and e.g. the commitment of beneficiaries and the achieved value of the indicator *„Total area of regenerated and revitalised facilities in rural areas“* has already significantly exceeded the set out target value.

Development of disparities in the territorial sphere

Generally speaking, **gradual improvement of environment and reduction of monitored pollution** have been the case in majority of areas across the regions. Simultaneously, however, it holds true that the traditional differences in the situation of individual environmental components between regions almost always **still prevail**, reflecting the distribution of industrial production, power generation, agricultural production and intensity of transport in the CR.

Following the drop in the values of **emissions of pollutants** in the CR in 2007-2009 period, the year 2010 witnessed a year-on-year increase of this value. The number one polluter among the sectors still remains to be the energy sector, but pollution caused by transport also keeps growing. The highest levels of emissions continue to be produced predominantly in the Moravian-Silesian region, Central Bohemian region and Ústí nad Labem region, i.e. in areas with industrial production and power generation and in areas with high intensity of transport. The regions most heavily hit by air pollution thus remain the same. The projects supported under OP E and OP EI significantly contribute to the improvement of air quality.

Water courses with the worst water quality were in Ústí nad Labem, Central Bohemian and South Moravian regions. In general, in 2007-2010 period more sections of water courses in the CR reported the water quality improvement rather than its deterioration. Despite the gradual improvement of water quality there are still sections of water courses in the CR classified in terms of water quality as being of the poorest quality. The majority of regions in 2007 - 2010 experienced a long lasting decrease of the total **volume of produced drinking water**. The only exception, with a year-on-year increase, was the Pardubice region. In 2010, the number of population **supplied with drinking water from the water supply system** grew year-on-year in all the regions except for the South Bohemian and South Moravian regions. The lowest percentage of population **connected to the sewerage system** continues to be reported by the Central Bohemian, Liberec and Pardubice regions. **Technical infrastructure (utilities) in rural areas** has considerably improved in terms of the connection to power, but also water and sewerage networks, which is strongly supported through OP E. Also growing is the share of municipalities with the approved planning documentation, the drafting of which is addressed through projects implemented under IOP.

Reduction of energy consumption, which occurred in the last three years, came to an end and in 2010 there was a year-on-year increase of consumption by 8.2 %, caused primarily by a moderate

economic recovery. High energy consumption continues to be reported by the central Bohemian and Moravian-Silesian regions, namely due to the high consumption of their industrial sector. In 2010, the largest energy consumer was the Ústí nad Labem region, with a significant share of energy consumed by energy sector. Projects implemented under OP E and OP EI significantly contribute to the reduction of energy consumption.

The largest volume of **waste per capita** continues to be produced by the City of Prague and the Moravian-Silesian region. Similarly to 2007, the largest production of **hazardous waste** per capita was exhibited by the Ústí nad Labem, Moravian-Silesian regions, with the City of Prague being the largest producer of hazardous waste in absolute terms. Since 2007 the volume of **waste removed by landfilling** has slightly grown. The highest figures remain to be reported by the Central Bohemian, Moravian-Silesian, Ústí nad Labem regions as well the South Moravian region that reached the level of Ústí nad Labem region. Projects focused on waste disposal are supported from OP E.

The total length of motorways in the Czech Republic is strongly **below average** as against the advanced EU Member States. Its distribution across regions is predetermined by historical development and adequate financial resources have so far not been found for its completion. The motorway network therefore fails to meet the needs associated with the development of economy. The development of motorway network is significantly supported from OP T.

The contribution of SF and CF interventions to the support of individual areas of regional development and to the accomplishment of NSRF priorities and objectives has to be analysed with respect to their cross-cutting focus. Regional development and reduction of disparities are addressed not only by projects implemented under TOPs and ROPs which accomplish the objectives in the areas of competitiveness, science and research, tourism, education and training, environment, transport, etc., but also by specific coordination interventions focused on urban issues, such as IUDP. The IUDP aims to coordinate activities and concentrate resources on addressing serious problems in urban areas.

Contributing to the accomplishment of IUDP objectives through the fulfilment of selected indicators is the implementation of projects primarily under IOP and ROPs, but also under other programmes, OP EI and OP E in particular. The physical evaluation focused on the fulfilment of the following indicators related to urban and rural development.

The commitment of beneficiaries under the indicator “*Number of regenerated apartments*“ has been fulfilled to the degree of 170 % and the achieved value is 103 % of the target value. Altogether 20 541 apartments have so far been regenerated through the support of CZK 687 million, of which the largest number of apartments is in the Moravian-Silesian region (6120), Ústí nad Labem region (3268) and Central Bohemian region (2335). In the light of the estimated investment requirement in the amount of CZK 500 billion for the housing stock (source: KPMG, State Housing Development Fund), this amount of financial support appears to be **inadequate** and represents approximately 0.1 % of required funds.

The indicator “*Area of revitalised territory*“ is being fulfilled by IOP projects, namely under Intervention area 6.5.2 Improving the environment in problematic housing estates. The up to now **progress achieved in the fulfilment of this indicator has been inadequate** and reflects progress of implementation of the intervention area 6.5.2. The current commitment of beneficiary accounts for only 39 % of the target value, with 19 % of the target value of the indicator being fulfilled so far. **The largest share in the commitment of beneficiary is exhibited by the Ústí nad Labem and Moravian-Silesian regions**, which fully corresponds with the conditions of housing estates in individual region.

The indicator “*Floor area of reconstructed premises*“ is related to projects for the support of property regeneration. The indicators in these projects are fulfilled only to the degree of 23 %, even though the commitment of beneficiaries achieves approximately 70 %. The reason behind this situation is the long-term nature of some projects, in which the resulting value of the indicator is determined only based on the building approval decision. **It is an important tool for the support of the use of reconstructed premises for doing business and for addressing the brownfields related matters in**

the CR. The projects implemented in the Moravian-Silesian, South Moravian and Zlín regions have the largest share in the commitment of beneficiaries and also in the achieved value. The unit costs of reconstruction of 1 m² equal approximately CZK 5 000. According to the study conducted by CzechInvest agency, the built-up brownfields area is 4 206 930 m². The target value of the indicator thus covers almost 50 % of the built-up brownfields area. The contribution of the Structural Funds to the improvement of this area can thus be considered very significant.

In the indicator *“Area of regenerated and revitalised territory – total”*, the commitment of beneficiaries is 135 % and the achieved value is 73 % of the target value of 544 ha. The projects concerned focus on regeneration and reclamation of brownfields in particular. Based on the study conducted by CzechInvest agency a total of 2 355 brownfields were identified in the CR, covering the total area of 10 326 ha. The target value of the indicator therefore covers approximately 5 % of the total area of brownfields. The study included a synthesis of data from all the regions except for Prague, it registered brownfields larger than approximately 1 ha, but does not cover the so called “mining brownfields”. The total number of brownfields is therefore much higher, in 2004 the estimated number of brownfield sites was 8.5 – 11.7 thousand with the total area of 27 – 38 thousand ha (sources: National Brownfield Regeneration Strategy).

The target value of the indicator *“Area of regenerated and revitalised premises in towns - total”* has already **been fulfilled**, with the commitment of beneficiary being 180 % of the target value. This indicator is being fulfilled at the level of ROPs, with **the lowest progress in the fulfilment of this indicator reported by the ROP MS**, where the commitment of beneficiary is only 52 % and the achieved value equals 21 % of the target value. The target value, however, is the highest of all the ROPs, namely 224 000 m². The financial volume of ROP projects, which have undertaken to contribute to the fulfilment of this indicator, amounts to a total of CZK 19.3 billion. This means that **approximately CZK 25.6 thousand is committed to a meter square of the regenerated and revitalised premises.**

The indicator *“Area of regenerated and revitalised premises in rural areas - total”* has already been fulfilled to the degree of 185 %, with the commitment of beneficiary being up to 229 %. The indicator is being fulfilled through projects under ROPs, except for ROP NW, under which this indicator is not monitored at project level. At the level of individual ROPs, the target value of the indicator has not been achieved by ROP CB only, where the commitment of beneficiaries equals 76 % and the achieved value is 48 % of the target value of 20 000 m². The financial volume of projects contributing to the fulfilment of this indicator amounts to CZK 5.9 billion, thus **approximately CZK 15.3 thousand is committed to a meter square of the regenerated and revitalised premises**, which is a much lower amount than that in the same indicator in towns.

Notwithstanding the measures taken in the framework of regional development programmes, **disparities between the regions of the CR continue to prevail, or even further widen.** It is therefore useful to carry on intensive evaluations of regional development tools and to contribute to **the promotion of balanced economic growth** through a suitable mix of tools. The ultimate goal should consist in drafting the themes and strategies pivotal for the support of regional development and in including the regional dimension wherever it is efficient and necessary. A comprehensive approach aligned with the discussed and approved mid-term and long-term regional strategies will help prevent fragmentation and non-systemic approach to addressing the regional development matters.

6 EA3: Evaluation of the Contribution of NSRF and OPs to Horizontal Themes

6.1 Approach to Evaluation

The introductory part of the Evaluation area No 3 – “Evaluation of the contribution of NSRF and OPs to horizontal themes” was devoted to assessing whether **the horizontal themes were taken into account in the framework of NSRF or individual OPs** and whether the horizontal themes are adequately incorporated in NSRF implementation. The evaluation was done by assessing whether the horizontal themes are included in individual OPs and NSRF and whether these matters are taken into account in the process of approval and selection of projects in individual OPs.

The following part comprises the evaluation of the **impacts of NSRF implementation on horizontal themes**, when their actual contribution to horizontal themes is evaluated on a selected sample of projects. The ascertained level of impact on horizontal themes was subsequently compared with the contribution of these projects declared in the application for support. For this evaluation a sample of projects was used, which was analysed in the framework of analysis performed under Evaluation area No 2. The assessment of the level of positive impact of NSRF on horizontal themes also comprised the evaluation of contributions of projects under individual OPs to horizontal themes based on the output reports of projects from MSC2007.

In the third part of Evaluation area No 3, in those OPs with a significant impact on horizontal themes those **projects** were identified **which contribute significantly to the improvement of horizontal themes** and their common features were defined.

The last part consisted in the analysis and evaluation of the **design of monitoring of horizontal themes**. The assessment focused on the way of monitoring the NSRF or OPs contributions to the improvement of horizontal themes based on the relevant methodological documents and output reports of projects from MSC2007.

6.2 Recommendations and Proposals for Their Implementation

6.2.1 Evaluation question No 1: How were the horizontal themes reflected in NSRF implementation? Are the horizontal themes adequately incorporated in NSRF implementation?

Evaluation question No 1:

How were the horizontal themes reflected in NSRF implementation? Are the horizontal themes adequately incorporated in NSRF implementation?

Summary evaluation of the Evaluation question No 1:

The horizontal themes of equal opportunities and sustainable development are adequately incorporated in the strategy and implementation mechanisms of all OPs and NSRF. When evaluating and selecting the project applications, the HTs are taken into account in all OPs in order to avoid the possibility of a selection of a project with potentially negative impact on HTs. The HT of equal opportunities is primarily addressed in programmes financed from ESF, i.e. OP HRE, OP EC and OP PA. The HT of sustainable development focused on the environment is due to its content primarily fulfilled through OP E.

Conclusions

The horizontal themes of equal opportunities and sustainable development are adequately incorporated in the strategy and implementation mechanisms of all OPs and NSRF. One group of OPs deserves the designation of principal programmes for the improvement of horizontal themes in the CR since in these programmes the fulfilment of HTs is the main or one of the main objectives of projects implemented under these OPs. For the second group of OPs, the horizontal themes represent activities of secondary nature, when the fulfilment of horizontal themes represents rather a secondary output of implemented projects.

As concerns the HT of **equal opportunities**, included in the first group are programmes focused on combatting the discrimination, support for social integration, equality of men and women, etc. It concerns especially the OPs financed from ESF, i.e. OP HRE, OP EC and OP PA, and also some OPs financed from ERDF such as IOP, OP RDI, OP EI, OP PC and some ROPs. For technically focused programmes such as OP T and OP E, the relevance of the HT of equal opportunities is very limited due to the focus of these OPs.

The HT of **sustainable development** focused on the environment is due to its focus fulfilled primarily through OP E. The environmental aspects are also significant in individual ROPs, OP RDI and OP PC. On the other hand, only a partial contribution to sustainable development in terms of protection and improvement of quality of the environment is made especially by OP HRE, OP EC and OP PA, and rather limited is also the contribution of IOP and OP EI.

When assessing the eligibility of project applications, the HTs are taken into account in all OPs in order to avoid the possibility of a selection of a project with potentially negative impact on HTs. When HTs are assessed as a **specific evaluation criterion** in the selection of projects, the situation in individual OPs differs. In majority of OPs, the evaluation of HTs is an integral part of the selection process, while it still remains a question whether the granting of preferential points to projects for reason of their fulfilment of HTs is always justifiable, i.e. whether all the projects truly contribute to HTs.

Across individual OPs, the horizontal themes are assessed during the evaluation of eligibility of project applications. This procedure can be considered adequate in order to eliminate projects with a potential negative impact on HTs. As concerns the selection criteria, **preferential points should be granted** only to projects with a conclusive positive impact on HTs, which can subsequently be consistently monitored and evaluated through the project implementation and also after its completion and in case of non-fulfilment of the declared contributions to HT **a penalty mechanism should be applied**.

Recommendations

Programming period 2007 - 2013

Significantly contributing to more effective incorporation of HTs in the implementation of individual OPs is the active support of projects targeted at **the exchange of experience** with the other staff of MAs, or evaluation units, consultants, and experts. Cooperation in the form of information and experience sharing, holding specific conferences, or short-term exchange scholarships and other joint activities provides an opportunity for a discussion on approaches and measures taken towards the effective introduction of these themes in individual intervention tools.

Classified as the key **methods and techniques for the evaluation of HTs** should, apart from the strategic environmental assessment (SEA) of the policy, monitoring and evaluations, be also other activities such as problem mapping, cost-benefit analysis, or trend evaluation and monitoring.

The horizontal themes are across the individual OPs assessed during the evaluation of eligibility of project applications. This procedure can be considered adequate in order to ensure the elimination of projects with a potential negative impact on HTs. The granting of preferential points to a project due to its positive impact on HTs in the framework of selection criteria, however, is not always convincing.

This situation can be solved by considering a **revision of the system of project evaluation**, which would be conducive to stricter and more objective evaluation of the declared impact of projects on HTs and design of the monitoring criteria with the view to ensure effective monitoring and evaluation of projects from qualitative and quantitative perspective, including the application of potential penalty mechanisms. The comparisons of the system of monitoring of HTs applied in individual OPs revealed that in terms of qualitative evaluation of project application more suitable seems to be the system applied in OP HRE. Nevertheless, in terms of monitoring the project contributions to HTs at the level of all OPs, or NSRF, this system is too demanding for the evaluation of these contributions.

Programming period 2014+

For the upcoming programming period 2014+, in terms of monitoring the fulfilment of HTs a compromise should be proposed between the existing alternative applied under OP HRE focused on qualitative factors that are more difficult to evaluate, and the system of a centrally monitored list of indicators or criteria.

6.2.2 Evaluation question No 2: Does the NSRF contribute to the improvement of horizontal themes in the CR? To what extent?

Evaluation question No 2:

Does the NSRF contribute to the improvement of horizontal themes in the CR? To what extent?

Summary evaluation of the Evaluation question No 2:

Based on the conducted analyses and evaluations we may state that individual OPs and NSRF significantly contribute to the improvement of horizontal themes in the CR. Increased effectiveness of interventions for the fulfilment of HTs can be achieved through more narrowly targeted calls for submission of projects linked to the strategic documents of the European Commission and Government of the CR.

Conclusions

Based on the conducted analyses and evaluations we may state that **individual OPs and NSRF significantly contribute to the improvement of horizontal themes in the CR**. More than 40 % of all the projects implemented so far under individual OPs contribute to the fulfilment of the HT of **equal opportunities**. In terms of the financial volume, only roughly one third of the total available public funds is allocated to the implementation of these projects. The reason behind is the fact that this HT is usually fulfilled by projects with lower financial requirements.

Projects with a positive impact on the HT of **sustainable development**, in which the fulfilment of ENVI criteria is monitored, constitute more than a third of the total number of the so far implemented projects under all OPs, except for programmes financed from ESF and OP TA, and their total allocation exceeds 40 % of total available public funds of these OPs. Apart from these projects, also other projects are implemented, in which ENVI criteria are not monitored, but which in the end also have a positive impact on this HT.

Recommendations

Programming period 2007 - 2013

Higher effectiveness of interventions for the fulfilment of HTs can be achieved by **more narrowly targeted calls** for submission of projects, linked to the strategic documents of the European Commission (particularly the Europe 2020 strategy, EU Sustainable Development Strategy) and of the

Government of the CR (particularly the Government Priorities and Procedures for the Enforcement of Equal Opportunities for Men and Women, Strategic Framework for Sustainable Development of the CR) which define the current priorities and problem areas of equal opportunities and sustainable development.

In terms of targeting of the individual support tools, we can recommend to use **consultations with project holders** and to exploit their potential positive and negative experience.

Programming period 2014+

Since the HTs will be the priority in the next programming period too, more attention should be paid to this area already during the preparations for the next period. The programming documents and the system of implementation should be designed so as to allow for maximum possible fulfilment of HTs through the implementation of suitable projects.

6.2.3 Evaluation question No 3: What are the common features of projects that significantly contribute to the improvement of horizontal themes in the CR?

Evaluation question No 3:

What are the common features of projects that significantly contribute to the improvement of horizontal themes in the CR?

Summary evaluation of the Evaluation question No 3:

The most important common features of projects fulfilling the HT of equal opportunities are primarily the targeted orientation on combatting discrimination, strengthening social integration and addressing the gender issues. The common feature of projects contributing to the HT of sustainable development is particularly the focus on improving the cleanliness, or the quality of air, water and soil, reducing the volume of produced waste, or its further use, increasing the share of green areas especially in populated areas, or more effective use of energy sources.

Conclusions

Ranking among the common features of projects that are targeted at contributing to the improvement of **equal opportunities**, is especially the fact that these are projects the main aim of which is **to remove the barriers to the participation of disadvantaged groups of population not only in the labour market, but also in the economic, social and family life**. These projects are focused on **gender matters**, i.e. on closing disparities in branches where different approach to men and women is applied, but also on other disadvantaged groups regardless their sex, racial and ethnic origin, religion or worldview, disability, age, or sexual orientation. The projects are mostly focused particularly on **ethnic minorities, immigrants, and asylum seekers, long-term unemployed persons, persons with low qualification or lacking any qualification, drug addicts, released prisoners, or school graduates**.

Another group of projects are projects that **are not directly targeted at equal opportunities, but even though their implementation has a positive impact on this area**. These projects share in common that although they were not originally targeted at this area, they still contribute to the elimination of discrimination in the society, or the accompanying project activities allow for the participation of disadvantaged groups in their implementation.

The common feature of projects that contribute to the fulfilment of **sustainable development in the area of environment**, is primarily their positive impact on the environment, both **through improving the cleanliness, or the quality of air, water and soil, reducing the volume of produced waste, or its further use, increasing the share of green areas especially in populated areas, or more**

effective use of energy sources through reducing the energy requirements and through searching for and exploiting alternative energy sources. Equally important content of projects with a positive impact on sustainable development is also the support for education and transfer of information concerning the environment and good environmental practice.

Recommendations

Programming period 2007 - 2013

Useful for the targeted identification of type projects which significantly contribute to HTs can be the establishment of a **best/bad practices database**. It is recommended to continuously increase the number of best practices, to analyse them and to use them e.g. for the definition, or redefinition of indicators and intervention policies. It aims to disseminate the knowledge and experience which was proven worth to the managing authorities in fulfilling the HTs.

The MAs should continue to take an active part in regular monitoring, evaluation and learning from case studies, which will lead to the overall **increase in effectiveness of the process of implementation of HTs**. The experience gained gradually through the implementation of projects should be evaluated, generalised and shared with other project developers and persons implementing the programmes. These procedures will help safeguard not only the continuous improvement in addressing the HTs, but also the consistency with long-term strategic objectives in the respective areas of development.

Programming period 2014+

The experience with typical projects which significantly contribute to the fulfilment of HTs should be used when drafting the content of programming documents for the next programming period and thus contribute to appropriate focus of individual programming documents or their parts on addressing the HTs.

6.2.4 Evaluation question No 4: Is the design of the monitoring of horizontal themes in line with the needs?

Evaluation question No 4:

Is the design of the monitoring of horizontal themes in line with the needs?

Summary evaluation of the Evaluation question No 4:

The system of monitoring of HTs cannot be currently considered fully in line with the requirements placed on monitoring and evaluation of implementation entities. There is a certain room for improvement in the conclusiveness of monitoring of project impacts on the HT of equal opportunities and in error rate of data reported in environmental criteria.

Conclusions

The system of monitoring of HTs **cannot be currently considered fully in line** with the requirements placed on monitoring and evaluation of implementation entities. The methodologies were developed and adopted only in the course of implementation, which to a certain extent affected the effectiveness of monitoring.

The description and reasons of the impact on equal opportunities which is stated in individual projects and which in some cases seems to be rather **inconclusive** produces uncertainty in terms of the correctness of reported data and results of analyses derived from this data. Another problem area in terms of evaluations is the finding that in the framework of monitoring activities the **actual impact of**

individual projects on equal opportunities during the implementation is not monitored, since some OPs do not evaluate these factors, except for assessing the impact on equal opportunities in project applications.

In OP HRE, a different way of monitoring the contributions of supported projects to HTs is applied. This system entails a **broader concept of monitoring the HTs with the use of elements of qualitative entry of data** in the form of responses of applicants to the pre-defined relevant questions concerning the HTs.

The different approach applied under this OP on the one hand offers wider possibilities of qualitative analysis in terms of contributions to equal opportunities and is of a positive information benefit for the selection and evaluation of projects, while on the other hand it makes it impossible to draw comparisons with other OPs and is fairly demanding for evaluation because it requires an individual assessment of all implemented projects and their verbal outputs from the information system.

The conditions included in the opinion of MoE on SEA establish an obligation to monitor the environmental impacts. The fundamental measuring tool is the monitoring of **21 main environmental criteria**. Objective evaluation of the physical fulfilment of indicators of environmental criteria is impossible due to inaccuracy of data at project level caused by inconsistent entries of this data in the information system by beneficiaries. Considered one of the reasons behind this error rate is the unclear interpretation concerning the entry and monitoring of some indicators. The most problematic area in terms of correct entry of data are undoubtedly those indicators that aim at the reduction of the monitored quantity. It could be confusing for beneficiaries, whether in the target/achieved data column they should state the value by which the monitored quantity in project implementation was reduced, or the value achieved, which is lower compared to the value for the previous period. Incorrectly stated values given by some beneficiaries mean that the results of the analysis of the fulfilment of the indicator as a whole may be strongly distorted and their true reporting value is thus considerably lower.

In terms of its physical scope, the system of 21 ENVI criteria, or indicators which fulfil them, can be considered as covering the essential areas of the environment addressed also by the other OPs apart from the OP E. Definition of a majority of indicators enables the evaluation of the physical contribution to the fulfilment of the HT of sustainable development provided they comprise quality data. As difficult to evaluate are the indicators 250100 *“Recovery of stable landscape water regime and of elements of ecological stability”*, 060100 *Number of projects in environmental education* and 371107 *“Investments in the development of public transport”*, in which the unit of measure is the “number of projects” and “CZK mil.”, which have next to zero reporting value as concerns the impact of the fulfilment of these indicators on the environment.

Recommendations

Programming period 2007 - 2013

Availability of indicators monitoring the HTs of equal opportunities and sustainable development is determined by the methodological design of the system of monitoring. In terms of methodology, it would be appropriate to set out, if possible, **strict borders for defining the targeted projects and projects with a positive impact on equal opportunities** and to define **specific monitoring indicators** following their continuous fulfilment. The specific indicators should build on the knowledge of professional public of specific matters in the area of equal opportunities. In projects that receive preferential points based on their declared positive impact on HTs, adequate mechanisms should be put in place which would prevent any formal declaration of a positive impact on HTs without that being true. In contract documentation, binding physical indicators should be set out which will be checked by the respective providers of assistance.

In order to improve the usability of some indicators for the evaluation of the impact on the fulfilment of HTs, it would be fitting to **modify their units of measure**, or to replace them with indicators of qualitatively **higher reporting value**. An analysis of the fulfilment of these indicators by aid

beneficiaries should be performed with the view to **eliminate the reporting of erroneous data and to modify the potentially inconsistent interpretation**, which may result in the declaration of inconsistent data.

Programming period 2014+

It is highly recommended to conduct a **thorough comprehensive analysis and evaluation of experience** of individual implementation structure entities with the monitoring of HTs and based on the obtained results to **timely design the monitoring system** for the next programming period, including the methodological documentation.

For the sake of **elimination of inconsistencies in output data** from MSC2007 system in some OPs, the causes of this situation should be thoroughly analysed and adequate corrective measures should be taken still in this programming period or for the next programming period at the latest

It is also highly recommended to focus the analyses on the identification of **main developmental trends**. A broad focus on all the main trends with the use of available data is ineffective and time consuming. It is therefore suitable to combine the key areas and problems and to evaluate a smaller number of criteria which reflect broader focus, i.e. that the selection of evaluation criteria should reflect the key areas and problems of individual OPs.

7 EA4: Evaluation of Functioning of the Implementation System

7.1 Approach to Evaluation

The analyses conducted under Evaluation area 4 – “Evaluation of functioning of the implementation system” were commenced by the analysis assessing the amendments to EU and CR legislation governing the implementation of NSRF. **An overview of relevant EU and CR legislation** was provided by the contracting authority. As concerns the Community legislation the assessment covered the relevant regulations and as concerns the Czech legislation it covered the relevant laws and decrees.

In order to identify the amendments to the Community legislation in the monitored period 2007 – 2011 the **Eur-LEX** was used, while **ASPI (Automated system of Legal Information)** was used for the national legislation of the CR. In each amended piece of legislation, an analysis of individual amendments was conducted, namely at the level of articles in case of Community legislation, and at the level of sections in case of Czech legislation. In the event an amendment had no impact on NSRF implementation, it was no more analysed. With respect to other amendments, its **impact on NSRF implementation was described** and its **positive or negative impact on entities concerned was determined**, i.e. on beneficiaries and providers of assistance, as well as its impact on the change of their behaviour. The impact of amendments on NSRF implementation was also on the agenda of **discussions with MAs**, during which also the results of the analysis were verified and, if necessary, the conclusions were supplemented.

Next, the area of risks influencing the NSRF implementation was examined. The analysis of these risks was carried out with the application of standard methodology governing risk management that is also described in the Framework methodology of risk management issued by the MRD.

The assessment of major risks affecting the NSRF implementation concentrated on the identification, analysis, and evaluation of major risks at the level of individual OPs and NSRF. Based on the **Summary reports on risks in individual OPs and minutes of the meetings of the reinforced risk management of selected OPs**, an overview of all the risks of different degree of significance identified by individual MAs was compiled. Despite diverse definition of these risks, they often overlapped in content to a higher or lower degree. The risks designated as major risks for the implementation of NSRF were subsequently selected from this overview.

The identified aggregated risks were subject to further assessment and evaluation performed during a **workshop with the responsible MRD-NCA experts**. The outputs of this workshop and the analysis of the latest Report on NSRF implementation served as the basis for the definition of major risks which significantly affect the NSRF implementation in the current programming period.

Another part of this evaluation area focused on the **assessment of functioning, efficiency and effectiveness of the NSRF structure and implementation system** under the conditions and circumstances prevailing in the Czech Republic. At first, the analysis of the used **tools and roles, division of competences, powers and responsibilities within the implementation structure** entities, i.e. MRD-NCA, MAs, IBs, PCA and AA, were analysed. The functioning of implementation entities was evaluated, including an overview of IBs, as well as the functioning of the relationship between MAs and IBs. Subsequently, the **design of the system governing the SF and CF financial flows** was evaluated and its functioning under individual OPs was assessed. The evaluation also covered the matters related to the application of the principle of partnership at the level of NSRF implementation, or individual OPs. In conclusion, the evaluation of **problem areas of NSRF implementation system** was performed, which gave rise to findings, conclusions and recommendations.

For the purpose of subsequent assessment of administrative capacities, a comparison of individual OPs, with respect to the number of staff at MAs, IBs and financial units, and an analysis of the time needed for the administration of applications for support and payment requests were conducted. In

order to evaluate the administrative capacities, also an analysis of the time needed for the administration of project applications was carried out.

Moreover, it was examined whether the current NCA position is strong enough to perform the function of the **national coordinator**. In this part an analysis and evaluation of the current position, powers, roles, and responsibilities of the MRD-NCA in the NSRF implementation system were conducted. As a suitable benchmark for comparisons of the Czech Republic identified were those EU Member States from the Central and Eastern Europe, which have had similar experience with the EU funds implementation, development of the European integration and economic development as the Czech Republic. The national coordination authorities in the above referred to Member States were assessed predominantly in terms of their position in SF and CF implementation structures, their powers and responsibilities, regulatory environment, number of employees involved in the activities of the national coordination authorities, and also in terms of challenges faced by the national coordination authorities at present.

The last assessed was the question whether the implementation structure in the current programming period appears to be **efficient and effective and whether it suffers from any drawbacks**. This part built predominantly on the analyses conducted in the previous parts under this evaluation area.

7.2 Recommendations and Proposals for Their Implementation

7.2.1 Evaluation question No 1: Have the amendments to the legislative framework significantly influenced the NSRF implementation? If so, how?

Evaluation question No 1:

Have the amendments to the legislative framework significantly influenced the NSRF implementation? If so, how?

Summary evaluation of Evaluation question No 1:

The amendments to CR and EU legislation adopted in 2007 - 2010 period have had a positive effect on the NSRF implementation.

Ranking among the most significant amendments to the EU legislation is the amendment concerning the budget contribution for 2007 and n+3 rule, which significantly reduced the risk of automatic decommitment of unused budget contribution for 2007. Also positive were amendments concerning the support for the use of financial engineering instruments, extending the types of eligible expenditure, harmonising the definition of major project, and adopting less stringent rules governing the durability of operations.

One of the important amendments to Czech legislation was the introduction of the provision which makes it possible for the implementation and control system entities to request information collected by the territorial financial authority during the administration of contributions. Positive to a certain extent were also the amendments to budgetary rules concerning the management of government agencies, semi-budgetary organisations and unions of municipalities.

The newly proposed amendments to legislation, which are currently under approval, should also have a positive effect. It concerns the amendment to the rules governing the state and territorial budgets and the Act on public contracts.

Conclusions

Based on the analysis of amendments to legislation and their impact on NSRF implementation we may conclude that **a majority of amendments has a positive impact** on NSRF implementation, namely

both on providers of assistance and aid beneficiaries. A more detailed evaluation of impacts of individual amendments on these implementation structure entities is included in the analytical part of this report.

EU legislation

One of the main positive amendments to the regulations governing the area of Structural Funds and the Cohesion Fund is the amendment concerning the **budget contribution for 2007 and n+3 rule**, which significantly reduced the risk of automatic decommitment of unused budget contribution for 2007. The reduction of this risk was further amplified by reducing the amounts to which the rule of automatic decommitment applies by the amounts related to a major project as of the date the Commission receives the application for this major project.

Other positive amendments concern the support for the use of **financial engineering instruments**, e.g. based on the change in the rules of eligibility, by the possibility to award a contract directly to the European Investment Bank or the European Investment Fund, and by simplifying the requirements for declaration of expenditure related to the financial engineering instruments. Nonetheless, the financial engineering instruments and their funding from EU funds have not been used much in the CR. JESSICA financial instrument catering for the support of sustainable urban development and regeneration is an exception.

A number of adopted amendments to legislation are conducive to the **simplification of administration**. These are e.g. **extension of the types of eligible expenditure**, namely by indirect costs, lump-sums and flat-rate payments based on the standard scales of unit costs, which simplifies the management, administration, and control of operations and provides the beneficiaries with an increased flexibility and simplification of declaration of eligible expenditure. It also concerns the **alignment of the definition of a major project** in the area of environment with definitions in other areas, which reduced the administrative burden of administration of projects in the area of environment with costs between EUR 25 to 50 million.

An important change is also **greater flexibility in the rules governing the durability of operations** and reduction of risk for Member States of being obliged to return the funds due to non-compliance with the durability principle. This change is positive also for providers of assistance from ESF since it results in lower administrative burden during the monitoring of durability of operations and in elimination of problems arising from the complexity of maintenance of durability of operations financed from ESF. Apart from its positive impact on ESF aid beneficiaries, this modification also generally reduces the risk faced by the beneficiaries of having to return the funds in case of their non fraudulent bankruptcy.

The drawdown of EU funds in the area of housing was encouraged by the reduction in the number of criteria to be met in order to receive housing assistance, and by opening up of Structural Funds also for housing interventions in favour of marginalised communities.

CR legislation

In Czech legislation major amendments have been adopted with effect on NSRF implementation, namely to Act No 218/2000 Coll., on budgetary rules and on amendments to certain related laws (Act No 465/2011 Coll.). **Reinforcement of powers of the Ministry of Finance, or the General Financial Directorate** extended the possibilities of responding to duly justified applications for waiver, but this amendment also brought about the risk of an increase in the number of applications for waiver lodged by aid beneficiaries. The amendment to the management of government agencies consisting in the introduction of possibility to exceed the expenditure threshold by funds saved in the past **brought about higher flexibility of government agencies in relation to the drawdown of EU funds**.

Among other significant modifications included in the amendment to Act on budgetary rules are **greater flexibility of managing authorities to set out the conditions in case of a breach of**

budgetary discipline, increasing the threshold for individually evaluated expenditure to the amount of CZK 200 million, extending the scope of possibilities to draw funds from the programmes. The amendment addresses measures **to reduce the impact of ineligible expenditure on state budget.**

The Czech legislation has so far not facilitated payments abroad in the area of programme financing and the award of contracts directly to the EIB or EIF with respect to financial engineering instruments.

Amendments to **Act No 250/2000 Coll.**, on budgetary rules of territorial budgets, **specified procedures governing the financial flows** and strengthened the stability of the system of programme and project co-financing from national public funds.

The modified way and terms applicable to election and discharge of members of the regional council committee as a consequence of results of elections to regional councils assisted in **safeguarding continuous functioning of regional councils** that is essential for effective management of regional operational programmes.

Transferring the **OP Prague Competitiveness and OP Prague Adaptability** under the responsibility of the City of Prague **clarified the system of implementation** of these operational programmes and prevented the occurrence of duplicate executive and administrative structures.

The setting up of a state aid coordination authority and the introduction of a registers of de minimis aid **consolidated the coordination of state aid and registration and control** of the use of de minimis aid schemes.

Perceived as a certain complication in terms of project implementation can be the introduction of the provision **prohibiting the participation of joint stock companies with bearer shares** in public procurement procedures, which reduced the number of tenderers. This modification impacted the conduct of tenders for a limited period of time only, since the amendment to Act No 423/2010 Coll. allowed for the participation of these joint stock companies in public procurement procedures again.

Recommendations

Programming period 2007 - 2013

The legislative framework for the implementation of EU funds has **continuously been subject of gradual removal of identified barriers.** In this process, an important role has been played by the MRD-NCA, which coordinates the efforts to identify suitable legislative solutions leading to the simplification and higher effectiveness of NSRF implementation system.

The existing system of financing OP projects combines the requirements laid down in the relevant EU legislation and the national legislation governing the provision of assistance, which brings about some complications (e.g. addressing irregularities and enforcement of penalties for the breach of budgetary discipline, annual budget cycle is not fully compatible with the multiannual budget financing, complex rules governing the financial flows between individual implementation structure entities). **This can be solved by another amendment to the relevant legislation, particularly to the rules governing the state and territorial budgets, which lay down the rules for OP project financing, with the view to do away with the identified deficiencies.**

Discussions are held on the introduction of a **mid-term budget outlook for the whole period 2014+** and establishment of a certain level of bindingness. Discussed is also the **addressing of payments abroad** under programme financing.

Programming period 2014+

It seems to us that the role of a coordinator of lifting potential legislative barriers should continue to be played by the MRD also in the next programming period since it has gained experience with coordination activities already in two programming periods. **Ongoing evaluation and adoption of**

amendments to the relevant legislation and methodological guidelines should remain one of the core activities of MRD and individual MAs.

The existing identified problems in legislation should be **tackled prior to the commencement of the next programming period**. In this context an alternative solution might be to divert the EU funds from the state budget and to provide for the implementation of EU funds through a separate piece of legislation.

7.2.2 Evaluation question No 2: What are the risks that can substantially impact/or have already substantially impacted the NSRF implementation?

Evaluation question No 2:

What are the risks that can substantially impact/have already substantially impacted the NSRF implementation?

Summary evaluation of the Evaluation question No 2:

The main risk encountered in NSRF implementation is the failure to absorb the OP financial allocations in consequence of the non-fulfilment of n+3/n+2 rule due to problems in OP implementation. The other risks posed to the implementation are to a different extent reflected in this horizontal risk. Belonging to other risks which may substantially impact or have already substantially impacted the NSRF implementation are the risks present in the area of human resources and in the management and implementation system.

Conclusions

Ranking among the most significant risks is the risk of failure to absorb the OP financial allocations in consequence of **non-fulfilment of n+3/n+2** rule due to problems in OP implementation. The other risks faced posed to the implementation are to a different extent reflected in this horizontal risk. Belonging to other risks in terms of provision of funding for NSRF implementation is the risk of a shortage of funds in public budgets for co-financing and pre-financing of projects implemented under the programmes financed from the EU Structural Funds and the Cohesion Fund.

Yet another risk is the **slow reimbursement of funds** used for pre-financing to the state budget and a considerable **increase in ineligible expenditure**.

Risky for the NSRF implementation is also the **complex implementation system** characterised by a large number of OPs with different implementation structures and a large number of implementation entities. The complex design of implementation structure in some OPs limits the execution of powers of MAs towards IBs, which results in lower effectiveness of management of these OPs.

In the area of **human resources**, identified as significant were the risks of dissatisfaction of staff, low motivation leading to high turnover of staff, underqualification and insufficient hands-on experience of employees involved in the implementation of EU funds. This risk has been successfully reduced.

Related to the **system of management** is the risk of non-transparency of the NSRF implementation environment caused by political influences, lobbying, conflict of interest, corrupt behaviour, pushing forward the interests of certain groups and entities, etc.

In the **system of implementation**, identified as essential were the risks of non-compliance with the procedures and processes set out in the binding documentation between individual entities of implementation structure, a large number of irregularities, and complicated process of their addressing and enforcement of penalties for the breach of budgetary discipline. The non-compliance with the procedures and processes set out in binding documentation between the individual entities of implementation structure jeopardizes the accomplishment of set out objectives in some OPs. The

complicated design of implementation structure, in which the MA powers are difficult to enforce vis-à-vis some IBs, significantly increases the referred to risk.

Very risky appear to be matters related to **public procurement procedures**. Infringement of public procurement rules represents one of the most frequent errors in project implementation. Examining the correctness of procedures carried out by the contracting authority in the award of public contract can cause major delays in the implementation of projects and place high requirements for human resources.

Recommendations

Programming period 2007 - 2013

To carry on effective risk management as a follow-up to the currently identified risks, which might substantially impact or have already impacted the NSRF implementation in the current programming period. The major risks are the following:

- Failure to absorb the allocated funds by individual OPs, i.e. non-fulfilment of n+3/n+2 rule;
- Suspension of payments by the European Commission;
- Breach of public procurement rules;
- Complicated system of implementation;
- Inconsistent interpretation of central methodologies and rules, and non-compliance with them
- Delays in the approval of major projects;
- Slow reimbursement of funds for pre-financing to the state budget;
- Increase in ineligible expenditure.

Programming period 2014+

Risks impacting the implementation of programmes financed from EU funds **will undoubtedly have to be managed also in the next programming period 2014+**. Based on the evaluation ensuing primarily from the assessment of the to date progress in NSRF implementation, performed through the analysis of relevant documents and legislation as well as structured interviews with the representatives of key implementation structure entities (MRD-NCA, MA, PCA, AA), potential risks have been identified that could have a substantial impact on the implementation of programmes financed from EU funds in the next programming period 2014+.

Lack of public funds for co-financing and pre-financing – it is an external risk that will be influenced by factors outside the implementation structure of EU funds. The elimination of this risk shall therefore be addressed primarily by the Czech government, which should guarantee the provision of necessary volume of funds for the co-financing of projects from national public funds throughout the programming period 2014+. For the sake of elimination of this risk, it would be helpful if limits are set out for the provision of funds for pre-financing from the state budget in terms of the reimbursement of these funds to the state budget and introduction of measures aimed at the reduction of ineligible expenditure.

Unstable and insufficient administrative capacity – stability (retention) of human resources is the precondition for ensuring adequate administrative capacity and simultaneously for sustaining the unique know-how in the implementation of EU funds. In order to safeguard this stability (retention), it is a must to adequately use appropriate tools in human resources management (system of assessment of staff and a follow-up mechanism of remuneration, motivation and career growth, system of education and training of staff, etc.). So as to ensure sufficient administrative capacities, it is useful to conduct an analysis of required human resources with stress put on the period when the two programming periods overlap and to take the results of this analysis into account when planning the system positions. Another step conducive to the limitation of this risk would be an effective Civil Service Law.

Complex system of implementation – design of the system of implementation will largely be dependent on requirements laid down in the relevant regulations of the European Commission for the next programming period and also on the final number of OPs. Nonetheless, in order to reduce this risk it will be necessary to evaluate and take into account the practical knowledge and experience gained in the previous two programming periods, and to push through the proposals ensuing from this experience when designing the implementation structures. This process should be complemented by potential proposals of necessary amendments to legislation directed at increasing the effectiveness of implementation process. Based on experience with the existing implementation structure, which is fairly extensive and complicated, it seems useful to cut down the number of operational programmes and to narrow their focus, while respecting the requirements for implementation set out by the European Commission for the next programming period.

Non-compliance with binding procedures – an important step conducive to the reduction of this risk is an effective implementation structure design, in which the superiority and subordination of individual implementation entities are clearly defined. It will also be essential to timely design and put in place all the methodological documents so that the relevant implementation procedures are clearly defined already at the commencement of OP implementation in the new programming period. The adoption of a single centrally coordinated approach will help clarify and simplify the implementation and management, through the exploitation of experience gained in the current period, while an emphasis shall be put on the necessity to ensure the binding nature of methodologies for all the managing authorities.

Public procurement – the risk can be mitigated by consistent examination of the application of Act on public contracts in practice and by proposing its amendments (e.g. aimed at increasing transparency in the award of public contracts). Another activity consists in the provision of effective methodological support to applicants and aid beneficiaries (methodological handbooks, training courses, seminars, hiring certified consultants with expertise in public procurement, etc.) in order to reduce the error rate in tenders to minimum. The risk should also be reduced by increasing the effectiveness of OPC activities leading to shorter periods necessary for its decision making.

Approval of major projects – the elimination of this risk necessitates a quality and timely preparation of all the supporting documentation, including the consistence of the project with national strategic and policy documents in order to avoid any delays on the part of the CR. At the same time it is necessary to pursue an active cooperation with the European Commission and to support the European Commission approval procedure through the relevant competent authorities.

Development of CZK/EUR exchange rate – the risk can be mitigated by an ongoing evaluation of the development of CZK/EUR exchange rate in connection to the actual and forecast absorption of funds under the given OP and subsequent determination of available allocation and reserves to reduce the risk of over-commitment or failure to absorb the allocation of the OP. Evaluation of available allocation in relation to the announcement of calls and approval of projects based on the existing financial situation at later stages of implementation is another possible way of reducing this risk.

Information system – in a fairly large number of ISs a wrongful data completion or upload can result in discrepancies in the transferred data. This risk could be eliminated by the introduction of a single central monitoring system. The development of this system should, however, be preceded by a thorough discussion of all the implementation structure stakeholders with the view to reflect the specific features of individual OPs and MA requirements for this system.

7.2.3 Evaluation question No 3: Are the competences and powers within the NSRF implementation structure distributed in an effective manner? If not, what changes should be done to increase the effectiveness?

Evaluation question No 3:

Are the competences and powers within the NSRF implementation structure distributed in an effective manner? If not, what changes should be done to increase the effectiveness?

Summary evaluation of the Evaluation question No 3:

The NSRF implementation structure can be considered rather extensive and complex, but adequate to a fairly large number of operational programmes. The implementation structure reflects the links between the content of individual OPs and the existing system of public administration in the CR. In this light we may state that, bearing in mind the partial problems in the implementation of some OPs and under conditions given by the valid rules for the functioning of public administration ensuing from the relevant legislation, the competences and powers are distributed in an effective manner. Some room for an increase in the effectiveness of implementation structure functioning in the current programming period can be seen especially in gradual partial amendments to the relevant legislation and methodological guidelines in areas where some deficiencies were identified (e.g. way of provision of assistance, procedures for addressing irregularities, coordination of control activities). In the framework of preparation for the upcoming programming period 2014+, it seems useful, in terms of increasing the effectiveness of functioning of the implementation structure, to reduce the number of operational programmes, which should together with suitable modifications and design of the legal and methodological framework result in streamlining and simplification and generally more effective functioning of the new implementation structure.

Conclusions

The main rules and principles of the implementation system are designed in line with the requirements laid down in the relevant EU regulations, while reflecting the mechanisms of functioning of the public administration system in the CR. A fairly large number of OPs necessitate a correspondingly extensive system of their implementation, in which almost all the ministries and regions act as MAs or IBs. The bottom line is a fairly **complex implementation structure** with some problem areas, of which the most troublesome issues are listed below.

Since some thematic OPs are rather of a fairly broad scope, more intermediate bodies, usually subordinate to the given MA, are involved in their implementation structure. **A large number of IBs and the absence of subordination of IB to MA** are the key factors which can have a negative impact on the level of cooperation between the MA and IB. Another negative factor is the fact that the financial resources are not always budgeted in the MA chapter, but some IBs have funds budgeted in their chapter. This is why the MA is not fully in charge of such an important tool as is the financial management. In the current programming period, this situation prevails in OP HRE, IOP and OP EC, in which the IBs are either at the same level of hierarchy (GA – ministries) or represent self-governing, independent entities (region). Despite there are standard agreements on delegating powers concluded between these implementation structure entities, due to the facts mentioned above the management and control of IBs under these OPs is more difficult, namely also due to the **absence of penalties for non-compliance with the provisions of the delegation agreement**. This can have a negative impact on NSRF implementation in terms of a failure to meet the obligations delegated to IBs, delays in administration of applications, or delays in addressing potential problems in implemented projects. An example is the IOP, where the role of 4 out of 5 IBs is played by other ministries than that of the MA, which at the same time act as the provider of assistance. Any potential disputes in these authorities, e.g. concerning the selection of projects to be implemented which can

eventually have a significant influence on the OP implementation, are in fact their internal issues and the MA can hardly intervene effectively in resolving these issues.

In case of ROPs, of negative influence is also the fact that the provider of assistance is the MRD and the regional councils act as the managing authorities. The MRD as the provider of assistance bears the responsibilities as set out in the budgetary rules, it has the responsibility in relation to the MoF (or EU), but it **has no chance to directly influence the implementation of programmes whatsoever**.

A similar problem is seen also in the audit system, when the activities of AA at the relevant ministries and regional councils are performed by the **authorised audit entities (delegated audit body)**. The authorised audit entities act at the ministries in line with the Government Resolution and at the RCs in line with a contract. Their staff is actually the employees of ministries, or the RCs with an independent status, who are assigned tasks by the AA. In practice, this gives rise to a certain dual-track management, when the AAE staff is employees of a different entity than that assigning tasks to them. Thus, a similar situation occurs as in case of relations between some MAs and IBs, when the actual managing powers of AA vis-à-vis the AAE are limited.

The control system of EU funds implementation can be considered extensive both in terms of its scope and depth of conducted controls, when the controls of functioning of the implementation system as well as implementation of individual projects are carried out almost continuously by multiple control entities at both the national and EU level. In this context, a problem is especially their **high frequency and the associated duplicity of some controls**, which together with the absence of effective coordination of controls performed at the national level also by the EU control entities results in work overload on the part of MAs, or IBs and the risk of insufficient administrative capacities of MAs and IBs for the conduct of their activities. The impact on the administrative burden of the controlled aid beneficiaries is not negligible either.

The **public procurement** related matters are crucial for the implementation of individual projects and thus also for the implementation of individual OPs and NSRF as a whole. Notwithstanding the **methodological support of MRD-NCA** in the form of “Binding procedures for the award of public contracts co-financed from the EU funds, to which the Act No 137/2006 Coll., on public contracts does not apply, in programming period 2007 – 2013“, the public procurement remains to be one of the most troublesome areas reporting the **highest number of irregularities**. The public procurement procedures often cause delays in the implementation of projects, which is also aggravated by **long periods required by the OPC for the examination of tenders**. Delayed implementation of projects has mostly a negative impact on the absorption of funds and often results in project withdrawal.

The legal framework of the **system of financial flows** is stipulated both by the relevant EU regulations governing the implementation of EU funds and the relevant national legislation, the **budgetary rules of state and territorial budgets** in particular. The methodology for application of these rules is detailed by the **Methodology of financial flows and controls** of MoF. A fairly complex system of financial flows has thus been established, when the national legislation governing the assistance currently does not incorporate only the requirements for the use of EU funds laid down by the Community legislation, but also requirements governing the system of state aid provision. This results in a non-flexible, formally rigid procedure for the provision of assistance with an excessive number of conditions and requirements imposed upon both the providers and beneficiaries.

In the first half of the programming period, the budgetary rules governing the state and territorial budgets and some other relevant legislation underwent multiple positive **amendments aimed at more effective implementation of EU funds**. These amendments include e.g. specification of the purpose of assistance granted to semi-budgetary organisations, amendments related to penalties for the breach of budgetary discipline, or introduction of the possibility for the provider of assistance to determine the expenditure or costs that can be accounted for as a flat-rate and does not have to be evidenced. More changes in the relevant legislation supporting more effective implementation of EU funds are being prepared on a continuous basis in form of amendments. They concern e.g. increase of financial ceilings for the approval of projects by MoF, allowing for the transferability of an aid scheme to another entity, introduction of the possibility to determine the purpose of a budgetary provision,

introduction of a mandatory time-limit for filing a petition for a waiver or partial waiver of the penalty for a breach of budgetary discipline, and some other measures.

Despite the above referred to amendments, the national legislation governing the implementation of EU funds still shows several problem areas. One of them is the multiannual nature of many implemented projects, while the public budgets of the CR are annual with a budget outlook. This **results in a collision of principles of budget and project financing**. In cases when the DGA are issued for the whole period of project implementation exceeding one year, complications may arise in the provision of funds in the following years.

The provisions of budgetary rules governing the state and territorial budgets **establish a dual-track approach in some areas of the financial flows system**. The way of provision of funds is stipulated differently in the two relevant laws, when according to rules governing the territorial budgets the assistance is provided based on a contract on granting the assistance which can be modified only upon approval of both the parties to the contract, while according to the rules governing the state budgets the assistance is provided through a decision to grant assistance which is a unilateral legal act. The assistance is thus granted to beneficiaries through various legal acts that follow different principles.

Different approach is applied also when a breach of budgetary discipline is addressed. Decisions regarding the suspected breach of budgetary discipline and its subsequent addressing is in case of rules governing the state budget under the competence of the relevant TFA with local jurisdiction, while in case of rules governing the territorial budgets a breach of budgetary discipline is addressed directly by the provider of assistance. This dual-track approach means not only a different approach to the imposition and enforcement of penalties, but also different authorities to whom the beneficiary may lodge a petition for waiver of the penalty, see below.

The way of **imposing the penalty for a breach of budgetary discipline** has not been finalised as yet. Whereas the rules governing the state budget make it possible for the provider of assistance to specify the breach of budgetary discipline for which a lower penalty can be imposed, the rules governing the territorial budgets do not explicitly allow for that, although pursuant to the MoF interpretation it was possible to do so. The amendment to the budgetary rules governing the territorial budgets No 465/2011 Coll., has already incorporated this possibility.

The process of **waiving penalties for the breach of budgetary discipline** was specified by the amendments to the relevant laws and extended to also cover the National Fund resources and state budget resources for pre-financing of expenditure that shall be covered from the EU budget. In case of rules governing the state budget the appellate body is the GFD, while in case of rules governing the territorial budgets it is the RC. Both the GFD and RCs have guidelines in place laying down the procedures for the waiver of penalties in projects financed from EU funds so that an equal treatment of all aid beneficiaries is guaranteed. A certain systemic deficiency was **absence of a deadline for lodging the petition for a waiver**, which might pose a risk of necessity to return the funds from national public resources to the beneficiary in the event he lodges a waiver only several years later and his petition is approved. This shortcoming was remedied by the amendment No 465/2011 to rules governing the state and territorial budgets.

A specific area in the framework of issues related to the breach of budgetary discipline is the area of ex-ante payments in OPs financed from ESF (OP HRE and OP EC). Projects under these OPs are mostly financed **through advance payments, when each error has to be addressed as a suspected irregularity** and forwarded to the relevant TFA to be addressed as a suspected breach of budgetary discipline. This way, a number of minor irregularities occur that the MA is obliged to address, which disproportionately burdens the administrative capacities of the OPs concerned.

In terms of the **reimbursement of funds to aid beneficiaries**, the situation has been gradually improving, although more than a half of beneficiaries still consider the administrative deadlines for control and reimbursement of payment requests too long. The way of execution of the so called **flow payments (průtokové platby)**, when the assistance is granted from the state budget through the regions to municipalities or the region or to municipalities of semi-budgetary organisations established

by them, was laid down in the Methodology of financial flows and controls, which helped **cut down the time necessary for their execution**. Positive is the use of advance payments and modified ex-ante payments, and also the ex-post reimbursement of project expenditure at individual project stages, which have a favourable impact on cash flow of beneficiaries and at the same time accelerate the absorption of allocations under individual OPs.

Troublesome in terms of reimbursement of funds remains to be the **impossibility to finance one GA acting as a beneficiary or a semi-budgetary organisation established by it from the chapter of another GA in a different way than by a budgetary provision**. The problem arose due to inadequate definition of the purpose of transferred funds, which is rectified by the amendment to rules governing the state budget No 465/2011Coll., which stipulates the determination of the purpose of a budget provision. In cases mentioned above, however, the relevant funds are most often budgeted directly in the chapter of the given GA, thus the respective MA does not issue the DGA for the given project, which **weakens the management function under the OP concerned**. The obligations set out in the legal act, by which a project is approved (e.g. the so called letter of the minister), issued by the MA or IB (GA), are difficult to enforce in case the beneficiary is another GA or a semi-budgetary organisation established by it. Similar situation arises also when the role of IB is played by another GA than that acting as the MA, which is the case of OP HRE and IOP. In this case the DGA is issued by the respective IB and the MA again loses its powers to issue the DGA for the given project, which again has a **negative impact on the performance of its management function, in financial management in particular**.

As concerns the application of the principle of partnership, we may conclude that **the public administration shows rather little experience with partnerships**. The application of this principle is also accompanied by the problem of **unclear defining features** of partnership for both the public administration and organisations applying the principle of partnership at a project level (the concept of partnership is not embedded in the Czech legal system). At the same time, there is an **inconsistency between the legal responsibility and the decision making in partnership**. In line with the legislation, the responsibility for project implementation is born by its holder (aid beneficiary), whereas if the principle of partnership is applied, also the partnership organisations should become involved in decision making. Still unresolved is the matter of **sustainability of project activities**. A negative feature is also the **fragmentation** of various umbrella organisations, which results in malfunctioning of the exchange of information and of discussions on professional topics. The necessity to intensify the communication and administration brings about also higher requirements for funds necessary to cover these activities.

Considered positive is the existence of IUDP, i.e. the possibility to acquire external financial resources, but considered negative is especially the administrative burden associated with the implementation of IUDP. When assessing the IUDP, more user-friendly mostly appears the model used by IOP.

Recommendations

Programming period 2007 - 2013

Due to the advanced stage of implementation of NSRF, or individual OPs, in the current programming period, attention should be paid primarily to **further promotion of partial legal and methodology modifications leading to more effective implementation of EU funds**. Major modifications in the system of implementation should be directed at the preparation for the next programming period.

As concerns the design of the financial flows system, the amendments to relevant legislation should address the individual problem areas and harmonise the mechanism of functioning of MAs in keeping with the rules governing the state and territorial budgets. Further steps should be taken to **harmonise the way of provision of assistance** to aid beneficiaries, **including their control mechanisms and potential enforcement of penalties for the breach of budgetary discipline** in order to enhance the

legal certainty of aid beneficiaries and to align the conditions under which the EU funds are granted in the CR.

In case of OPs using the ex-ante payments, the methodology should incorporate the interpretation of MoF and MA, according to which the existing irregularities (except for ineligible expenditure which is governed by Act No 465/2011 Coll., amending the budgetary rules) can be addressed jointly only at the time of approval of the final monitoring report and the final accounts of the specific project. The referred to mechanism would substantially contribute to **reducing the administrative burden** associated with addressing a number of minor irregularities that occur in relation to pre-financing of expenditure in some projects.

In order to reduce the administrative burden of IBs, MAs and aid beneficiaries, **effective coordination of controls** carried out by the national control authorities should be put in place. Through joint efforts exerted by MRD-NCA and relevant central authorities, a mechanism should be adopted for the coordination of planning the controls in individual OPs, which builds on the databasis of all controls conducted by EU and CR control authorities comprising the relevant data on conducted controls, which will be necessary for effective planning and coordination of future control activities.

In public procurement matters, it is necessary to seek ways of **minimising the fairly large number of procedural and administrative errors in the conduct of tenders**. This can be achieved by further improvement of quality of methodological support for aid beneficiaries, participation of representatives of implementation entities in tenders, conduct of ex-ante controls of tenders by relevant implementation entities prior to their publication, which however substantially increases the administrative burden, or by introduction of a list of certified consultancy companies with expertise in the field of public procurement. This problem goes hand in hand with **long periods of time required by the OPC for the examination of tenders**. After the adoption of amendment to the Act on public contracts, which is likely to pose more administrative burden on OPC, the situation will have to be addressed by increasing the capacities of this authority, or another amendment to the relevant legislation that would result in more effective functioning of this authority.

Programming period 2014+

In mid-term horizon and with regard to the next programming period **an adoption of a separate piece of legislation stipulating the functioning of the system of implementation of EU funds should be considered**. This way, the problem areas could be addressed, the rectification of which through the amendment to the existing legislation appears to be rather challenging. It concerns e.g. the matters related to multiannual financing of projects or streamlining of the system of enforcement of penalties for the breach of budgetary discipline, when penalties would be addressed only the implementation structure entities as it is the case now in ROPs, OP PC and OP PA, including the potential application of the above mentioned offsetting of irregularities, by which higher effectiveness of this system and reduction of administrative burden of TFA would be achieved.

As concerns the actual implementation structure, major interventions in its design in this programming period cannot be considered feasible or useful. The efforts aimed at its higher effectiveness should concentrate on the preparation of the next programming period. Based on the experience with the currently operational, rather extensive and complex implementation structure, it seems efficient to **reduce the number of operational programmes**, while respecting the requirements for implementation articulated by the European Commission for the next programming period. A lower number of OPs should thus correspond with a **lower number of narrowly targeted objectives**, with a stress to be put on a due accomplishment of the set out OP objectives. In the light of the recommended more effective implementation structure and the concentration of the addressed themes in a lower number of OPs, it seems more efficient to **concentrate the implementation of structural interventions through centrally managed thematic operational programmes**.

A lower number of OPs should become the starting point for streamlining the design of the implementation structure. When developing the layout of implementation structure, various alternatives can be considered. However, such an optimal solution should be identified, which shall

respect the relevant **CR as well as EU statutory requirements**, comply with the **hierarchy of public administration authorities and self-government in the CR**, and at the same time exploit the **know-how and experience of the implementation entities** gained in the course of the current programming period. In this context it shall be highlighted that the principle should be respected that the provider of assistance acts as the MA and budgets the funds required for the programme in its budgetary chapter.

When designing the new implementation structure, apart from its streamlining and simplification also the elimination of the ills of its current design should be taken care of. Primarily, **the principles governing the functioning of individual implementation structure entities should be harmonised** in order to avoid the dual-track approach prevailing in some areas, which applies especially to the way of provision of assistance and imposition of penalties for the breach of budgetary discipline. The powers related to the provision of assistance should be granted to MAs, while IBs should, if possible, remain subordinate to the MAs. The legal acts, by which some of the MA powers will be delegated to IBs, should **clearly define the responsibilities of both the parties, including the imposition of penalties for their breach**, in order for the MAs to avail of adequate tools for the imposition and enforcement of corrective measures.

The application of the principle of partnership at the level of NSRF and individual OPs is currently perceived as adequate. At project level, sufficient room should be provided to **unclarified matters** concerning the application of the principle of partnership (unclear defining features, sustainability, etc.) in order to tap the **potential of benefits** of these partnerships as much as possible. At the same time, it is necessary to exploit the experience from projects that are currently under implementation in order to identify suitable measures conducive to the elimination of potential drawbacks of the partnership.

If the territorial development continues to be supported through integrated approaches (IUDP), it should be done based on the **reduction of fragmentation caused by a broad portfolio of operational programmes**. Optimally, their inclusion under a single OP addressing the territorial development should be considered.

7.2.4 Evaluation question No 4: Are the administrative capacities adequate for the ensurance of proper functioning of NSRF implementation?

Evaluation question No 4:

Are the administrative capacities adequate for the ensurance of proper functioning of NSRF implementation?

Summary evaluation of the Evaluation question No 4:

At present, the administrative capacities of NSRF and OP implementation structure can be considered adequate and the individual MAs should concentrate on a gradual shift of their employees from the evaluation of applications to controls conducted in the course of project implementation and also in the determined sustainability period. Simultaneously, the MAs should continue to further increase the effectiveness of their activities during some administrative procedures (e.g. introduction of full digitisation of applications for support or payment requests, more intensive use of information available in relevant central registers, records and databases).

Increased administrative burden of the existing administrative capacities of the implementation structure can be foreseen due to the coincidence of the end of the programming period 2007-2013 and the preparation and launch of the next programming period 2014+.

Conclusions

The administrative capacities of NSRF and OP implementation structure can currently be considered adequate. The differences between some OPs, identified during their comparison, are caused by specific features of the given OP, i.e. the number and size of projects, technically demanding nature of the evaluation of applications and administration of projects (e.g. OP E). The effectiveness could perhaps be increased to some extent through changes in some administrative procedures (e.g. introduction of full digitisation of applications for support or payment requests) or based on a conduct of a detailed audit of processes and staff in implementation structure entities.

The time needed for the administration of applications for support significantly differs, even when account is taken of the specific features of individual OPs. This provides a certain **room for improvement**. For example, in ROP CM the time needed for the administration of applications is up to twice as long than in ROP NW. This is especially due to procedures applied by the ROP CM MA, which after a preliminary approval of a project gives the applicant additional 3-5 months for finalising the project. In this light, it would be interesting to check to which extent the procedures applied by ROP CM had an effect on the quality of submitted projects and fulfilment of efficiency, effectiveness and economy criteria.

The longest time needed for administration of applications for support, however, is reported by OP E, especially in PA 1 – Improvement of water management infrastructure and reduction of floods risk. Even though this fact can be partially caused by fairly high turnover of staff at the MA and IB, the main reason is the assessment of compliance with conditions of acceptability listed in Annex No 7 to the Programming Document of OP E and the design of the relationship between the owner and operator of a water management infrastructure. **In case of OP E, due to the complexity of the referred to conditions of acceptability, the time needed to administer the applications for support can be cut down only to a limited extent.**

Individual OPs show significant differences also in the time needed to **administer the payment requests**. The total time needed for the administration of a PR is only slightly influenced by returning the PR to the beneficiary for finalisation, which means that if PRs are returned to beneficiaries for finalisation, they usually try to remedy the situation fairly quickly.

Recommendations

Programming period 2007 - 2013

Since the administrative capacities are considered adequate both by the evaluator and by individual MAs, **no increase of administrative capacities is currently needed**. Individual MAs should rather focus on a gradual shift of their staff from the evaluation of applications to controls during the project implementation and also during the sustainability period.

Potential **optimisation of administrative capacities** should be performed with respect to the risk of potential disruption of the functioning of authorities concerned in order to prevent any undesirable prolongation of administrative processes, slowdown in the pace of absorption, and the risk of non-fulfilment of n+3 / n+2 rule.

Since the end of the programming period 2007-2013 will coincide with the preparation and launch of the next programming period 2014+, **an increased administrative burden placed on the existing administrative capacities of the implementation entities can be foreseen.**

Programming period 2014+

The preparation for the next programming period should concentrate on further **increasing the effectiveness of activities performed by the implementation entities**, which is already taking place thanks to the experience gained by the implementation structure staff. E.g. the time needed for the administration of applications could to some extent be cut down by **full digitisation of the process of submission of applications, including the use of electronic signature and simplification of the**

required documentation, i.e. to abstain from requiring information available in the relevant central registers, records, and databases.

The provision of adequate administrative capacities is closely related to the **management of human resources**. It is therefore necessary to continue to improve the quality of human resources management systems in terms of motivation, remuneration, education and training, and personal growth of staff with the view to minimise the turnover of staff and to retain especially the qualified, experienced, and quality employees who are vital for the maintenance and use of experience gained in the current programming period.

7.2.5 **Evaluation question No 5: Is the current position of the NCA strong enough in order for the NCA to be able to properly act as the national coordinator? In what way can the effectiveness of NSRF coordination be improved?**

Evaluation question No 5:

Is the current position of the NCA strong enough in order for the NCA to be able to properly act as the national coordinator? In what way can the effectiveness of NSRF coordination be improved?

Summary evaluation of the Evaluation question No 5:

The evaluation question, asking whether the current position of NCA is strong enough in order for the NCA to be able to properly act as the national coordinator, is closely linked to the definition of its position and determination of effective tools which can be employed during its activities. A certain problem of the existing coordination authority is the fact that the MRD, or NCA, is not authorised to issue the guidance acts (i.e. methodologies, guidelines, etc.), by which it would obligate other actors of the implementation structure than the MRD and regional councils.

As concerns the definition of the existing position of NCA and its individual activities, based on a framework comparison (benchmarking) with similar entities in selected Central and Eastern European countries we may claim that no substantial differences in functioning of the individual coordination authorities have been identified. In the framework of preparations for the next programming period 2014+, it is necessary to open a discussion on the definition of roles and powers of individual implementation structure entities, including the NCA, with the view to set out clear competences, to reinforce the legal certainty of individual entities, and to streamline the future implementation structure as a whole.

As a follow-up to clearly defined competences and responsibilities, in order to ensure a sufficiently robust and stable position of NCA it will be necessary to consider the adoption of effective tools, or enforceable guidance acts which will safeguard effective course of implementation.

As concerns the potential increase in effectiveness of the NSRF coordination system, a suitable tool is the introduction of the system of performance and quality management (e.g. Balanced Scorecard, CAF) in the implementation structure.

Conclusions

The evaluation question, asking whether the current position of NCA is strong enough in order for the NCA to be able to properly act as the national coordinator, is closely linked to the definition of its position and determination of **effective tools** which can be employed during its activities.

The National Coordination Authority was set up **without being regulated** in the Community and Czech legislation and its role was stipulated by the Government Resolution No 198 of 22 February 2006, namely to coordinate the preparation of the CR for the drawdown of funds from EU SF/CF in 2007-2013 period.

The MRD-NCA uses for its activities a **broad portfolio of tools** such as working groups, the Management and Coordination Committee, monitoring committees of OPs, documents to be submitted to the Government of the CR, methodologies, opinions, analyses, studies, etc.

A certain problem of the coordination authority established in this manner is the fact that the MRD, or MRD-NCA, **is not authorised to issue the guidance acts** (i.e. methodologies, guidelines, etc.), by which it would obligate other actors of the implementation structure than the MRD and regional councils.

This is also reflected in the MRD-NCA possibilities to respond to suggestions raised by the MAs, which in certain cases are critical vis-à-vis the coordination and methodological guidance of NSRF implementation, but do not sufficiently take into account that the **tools and possibilities of this authority are largely determined by its current position**.

Benchmarking of the institutional set-up of coordination authorities suggests that individual countries establish these authorities at **different institutions** of state administration. In most cases such an institution is the relevant ministry of economic and regional development, ministry of finance, office of the government, or even the National Development Agency as such. The experience gained in these countries indicates that such an alternative should be opted for which safeguards stability and fairly strong position of these authorities. The negative experience e.g. from Romania (frequent changes in the umbrella organisation in the course of implementation) is an example of inconsistent approach which has a very negative impact on NSRF implementation.

As concerns the definition of the current position of MRD-NCA and its individual activities, making comparisons (benchmarking) with similar authorities in the selected Central and Eastern European countries bring us to the conclusion that **no essential differences in the functioning of individual coordination authorities have been identified**. The truth is that in order to make the coordination easier some countries have decided to adopt legislation and define the individual implementation actors, including the coordination authority (e.g. Slovakia, Poland), nonetheless from the perspective of effective management and coordination this fact cannot be considered decisive for successful NSRF implementation, unless effective coordination tools and powers are determined.

A certain difference, ensuing from the benchmarking of activities of coordination authorities, can be seen in **merging the function of the national coordinator and the managing authority of the OP Technical Assistance**. This merger brings about synergic effects (streamlining of organisation structure and processes, more flexible management) and it is used e.g. in Hungary or Romania.

The most important themes, currently addressed by the coordination authorities, are particularly the preparation of the new programming period 2014+, the monitoring and evaluation of the progress of implementation of the current programming period, and the optimisation of the system in order to **enhance the absorption and accelerate the drawdown of EU funds**.

With respect to the evaluation of the **risk management system**, the MRD-NCA role consists especially in coordination activities using the early warning system that can give a signal about an excessive risk and trigger coordinated actions. The set out procedures are already more or less formalized, nonetheless the MRD-NCA in this area avails of only limited tools (limited possibility of MRD-NCA to intervene in the internal processes of individual MAs). This fact has a negative impact primarily on the possibility to escalate the risks to a higher level of decision making process, in case the MA activities are blocked when addressing the problems of individual operational programmes, which in its consequence would significantly threaten the attainment of NSRF objectives. As concerns the system of risk assessment, it can be pinpointed that in some cases there is a contradiction between the opinion of MRD-NCA, as the top coordination authority of NSRF implementation, and the MAs of individual OPs, as the key management elements of the implementation structure, on certain partial risks. In some OPs, with respect to the state of play of implementation, we may claim that not all the key risks to successful absorption of funds are fully reflected.

Recommendations

Programming period 2007 - 2013

A suitable tool for increasing the effectiveness of the NSRF system of coordination is the introduction of **performance and quality management systems** (e.g. BSC, CAF)⁴ in the implementation structure. The implementation of these systems will ensure to a considerable degree the response to any unsuitable situation and will guarantee an uninterrupted increase of effectiveness, quality and performance of all the implementation structure stakeholders.

In the part of evaluation area concerning the risk management system, the focus on **formal and physical evaluation of** Summary reports on OP risks can be recommended. Although the form and methodology of the elaboration of Summary reports on OP risks is clearly defined, the individual reports are sometimes substandard in terms of their form. Also the quality and content of the submitted reports **is of different standard**. In case of poorly elaborated reports, the MRD-NCA should identify the cause thereof and in cooperation with the MA help remedy the situation. Following the analysis and evaluation of potential discrepancies, these reports should be discussed with the view to reach a consensus of opinion with the MA. Discussions should also cover the proposed measures to eliminate the risks posed to the implementation. The referred to procedure shall thus be conducive to better quality of the system of risk management in some OPs.

Also the more effective **system of risk** escalation would help improve the current situation in risk management. A clearly defined procedure and adoption of effective mechanisms facilitating speedy solution of the situation necessitating an escalation would help ensure more effective coordination and implementation. The design of the system of risk escalation should build on the discussion on definition of roles and powers of individual implementation structure entities, including the MRD-NCA, with the view to define clear competences and tools, which shall safeguard effective functioning of this mechanism.

Programming period 2014+

In the framework of preparations for the upcoming programming period 2014+, a discussion should be launched on the **definition of roles and powers** of individual implementation structure entities with the view to **define clear competences, to reinforce legal certainty of individual entities, and to streamline and simplify the implementation structure as a whole**. This discussion should be held in line with the principle of partnership with consensus of opinion of individual actors of the cohesion policy, and the proposed solutions should also enjoy a broad political support.

As a follow-up to the clearly defined **competences and responsibilities**, the ensurance of a sufficiently robust and stable position of MRD-NCA would necessitate the adoption of **effective tools**, or enforceable guidance acts, that shall ensure an effective course of implementation. The coordination mechanisms could be defined e.g. in a separate law which would reflect all the specific features of EU funds implementation. I.e. especially the field of responsibility (scope of activities) of the authorities, their competences and powers, procedures, financial management, controls, imposition of penalties, etc.

It would be fitting to incorporate the above mentioned recommendations in the **policy of the management system of Structural Funds and the Cohesion Fund in the programming period 2014+**, which should be approved by the Government of the CR, including any potential tasks related to amendments to legislation governing this system.

⁴ Balanced Scorecard (BSC) - is a system of strategic management and performance measurement of an organisation through the combination of financial and non-financial measures. The Common Assessment Framework (CAF) is a simple tool for improving the functioning of an organisation through self-assessment. By means of this method the employees of an organisation assess the system of management, identify its strengths and opportunities, which subsequently become the areas for target improvement.

7.2.6 Evaluation question No 6: Does the implementation structure of the programming period 2007-2013 appear to be efficient and effective? Are there any weaknesses in the implementation structure? If so, what?

Evaluation question No 6:

Does the implementation structure of the programming period 2007-2013 appear to be efficient and effective? Are there any weaknesses in the implementation structure? If so, what?

Summary evaluation of the Evaluation question No 6:

The functioning of the implementation structure can be considered generally satisfactory in terms of its meeting the requirements for efficiency and effectiveness. The implementation structure adequately guarantees the implementation of EU funds in a way that meets the requirements laid down in the relevant CR and EU legislation. In the first half of the programming period, the functioning of the implementation structure improved and it continues to be improving. The same applies to the rectification of the identified weaknesses. Despite some problem areas identified during the mid-term evaluation of NSRF implementation, we may conclude that they do not constitute a major risk to successful implementation of EU funds in this programming period.

Conclusions

Troublesome with respect to efficiency and effectiveness of implementation structure appears to be the **absence of subordination of IBs to MA** in some OPs, where the IBs are either at the same level of hierarchy, or are self-governing, independent entities. The application of management powers of MA towards IB is also limited due to the **absence of penalties for non-compliance with the provisions of delegation agreements**.

As concerns the financial flows, a certain complication is constituted especially by the **dual-track provision of assistance and the procedure of enforcement of possible penalties for the breach of budgetary discipline**. Another complication is the fact that under certain OPs the providers of assistance are also some IBs, which limits the performance of management function of MA.

In spite of the methodological support offered by the MRD-NCA, the **public procurement** remains to be the area showing the highest number of errors. Delays in the conduct of tenders and the long period of time needed by the OPC for potential examination of tenders have a negative impact on meeting the project implementation timetable.

In terms of the MRD-NCA position, a problem of its kind is the fact that the MRD, or MRD-NCA, **is not authorised to issue the guidance acts** (i.e. methodologies, guidelines, etc.), by which it would obligate other actors of the implementation structure than the MRD and regional councils. This is also reflected in the MRD-NCA possibilities to respond to suggestions raised by the MAs, which in certain cases are critical vis-à-vis the coordination and methodological guidance of NSRF implementation, but do not sufficiently take into account that the **tools and possibilities of this authority are largely determined by its current position**.

The administrative capacities of the NSRF and OP implementation structure can currently be considered adequate, nonetheless as to the time needed for the elaboration of project applications and payment requests, further optimisation is necessary consisting in the reduction of the time needed.

Recommendations

Programming period 2007 - 2013

The enhancement of efficiency and effectiveness of the implementation structure will be supported by **continuous carrying through partial legislative and methodological changes leading to more effective implementation of EU funds**. In terms of the system of financial flows design, the amendments to the relevant legislation should gradually regulate the individual problem areas and the mechanism of functioning of MAs laid down in the rules governing the state and territorial budgets should be aligned. Additional steps should be taken to **harmonise the ways of provision of assistance** to aid beneficiaries, **including mechanisms of their control and possible enforcement of penalties for the breach of budgetary discipline**.

In public procurement, new ways shall be sought to **minimise the fairly large number of procedural and administrative errors in the conduct of tenders** and to **reduce the time needed by the OPC for the examination of tenders** by means of further improvement of quality of methodological support offered to aid beneficiaries and by means of other activities in the framework of OP implementation.

Programming period 2014+

Based on the experience gained with the currently functioning fairly extensive and complicated implementation structure and while respecting the conditions for implementation set out by the European Commission for the next programming period, it seems useful to **reduce the number of operational programmes** and to **narrow their focus**, and also to **streamline the design of the implementation structure**, which will inter alia support the efficiency and effectiveness of its functioning.

When designing the new implementation structure, attention should be paid not only to its streamlining, but also to the elimination of its ills. In this context, primarily the **principles governing the functioning of the individual implementation structure entities should be harmonised** in order to do away with the dual-track approach currently prevailing in certain areas. The powers associated with the provision of assistance should be concentrated at the level of MA, while the IBs should be subordinated to MA, if possible. The legal acts, by which some powers of MA will be delegated to IBs, should **clearly define the responsibilities of both the parties, including the determination of penalties for their breach** so that the MAs avail of sufficiently effective tools for the imposition and enforcement of corrective measures.

The above referred to changes in the design of implementation structure can be implemented either through fairly complex amendments to the existing legislation, or **through a separate law** incorporating the requirements laid down by the relevant EU legislation, which would **in a comprehensive manner stipulate the rules for individual areas of activities** (financial flows, methodological guidelines, conduct of controls and addressing irregularities, project administration, etc.) and **define the powers and the field of responsibility of individual implementation structure entities**.

In this light, we shall emphasize the need to **appoint a central coordinator with clearly defined powers and responsibilities** who will manage and coordinate the Structural Funds in the CR in the upcoming programming period. It seems fitting that the **MRD continues to play the role of a coordinator** since it has had many years of experience with the coordination of SF and CF implementation gained in two programming periods and since at present it also acts as a coordinator of the process of preparation for the new programming period 2014+. This recommendation is also backed up by the conclusions of the evaluation of NSRF ex-ante evaluation drawn up in the framework of Evaluation area No 1.

8 EA5: Evaluation of Functioning of the Monitoring System

8.1 Approach to Evaluation

The first part of the Evaluation area No 5 – “Evaluation of functioning of the monitoring system“, which focused on the assessment of the functioning of the monitoring and evaluation system, evaluated the methodological approaches applied in the framework of conducted analyses and outputs. This assessment comprised an evaluation of selected analytical outputs and activities performed by the MRD-NCA. Especially the following areas of analytical activities of MRD-NCA were assessed:

- Conduct of analyses of the absorption of funds under individual OPs within NSRF, analyses of the fulfilment of n+3/n+2 rule;
- Evaluation of the physical progress of implementation of individual OPs and NSRF.

The evaluation of the above listed areas of analytical activities carried out by the MRD-NCA comprised also the **assessment of relevant methodological guidelines issued by the MRD-NCA** related to these activities. It concerned the following methodological documents:

- Rules of central monitoring;
- Methodology of assessment of indicators for the inclusion in the National Code list of Indicators;
- Methodological guideline governing the entry of location of projects under the data items “place of implementation”, “impact” and” investment made in NUTS 3”;
- Methodological guideline called the System of monitoring of the impact of structural interventions on the environment in programming period 2007–2013;
- Methodological guideline governing the monitoring of n+3/n+2 rule in the programming period 2007–2013;
- Methodology of monitoring the Structural Funds and the Cohesion Fund programmes for the programming period 2007 – 2013.

The first part aimed primarily to evaluate the adequacy of information provided in the above referred to methodological guidelines for individual areas of monitoring of the NSRF and OP implementation.

The second part of the Evaluation area No 5 was devoted to the **assessment of output reports for the purpose of monitoring and evaluations**. It consisted of the assessment of output reports which were used for the elaboration of mid-term evaluation of physical and financial implementation of the National Strategic Reference Framework for programming period 2007 - 2013. It concerned the following output reports:

- Overview of projects as at 7 Sep 2011 – report from MSC2007;
- Overview of payment requests as at 9 Nov 2011 – report from MSC2007;
- Detailed overview of payment requests as at 9 Nov 2011 – report from MSC2007;
- Overview of irregularities as at 14 Sep 2011 – report from MSC2007;
- Overview of monitoring indicators – reports from MSC2007;
- Overview of monitoring indicators related to horizontal themes (equal opportunities and sustainable development) as at 9 Dec 2011 – reports from MSC2007.

This chapter aimed at analysing and evaluating the correctness and completeness of provided data with potential determination of causes of identified deficiencies. The assessment of these reports was done with respect to the needs of monitoring and evaluation activities performed by the MRD-NCA. The assessment builds on the findings of evaluator which were arrived at while working with the reports in the course of evaluation.

8.2 Recommendations and Proposals for their Implementation

8.2.1 Evaluation question No 1: Has the central monitoring system been designed in an appropriate and effective manner? If not, what changes should be made to increase its effectiveness?

Evaluation question No 1:

Has the central monitoring system designed in an appropriate and effective manner? If not, what changes should be made to increase its effectiveness?

Summary evaluation of the Evaluation question No 1:

The central monitoring system can currently be considered essentially adequate for the purpose of meeting the requirements placed on monitoring by relevant legislation and methodological documents of the European Commission. The methodological approaches that are currently used for the conduct of analyses and elaboration of outputs in the area of monitoring the structural interventions facilitate to a sufficient degree the analysis and evaluation of the ongoing implementation of NSRF and individual OPs, and, if necessary, also the provision of supporting documents for the adoption of adequate measures. Nonetheless, certain partial areas were identified, to which attention should be paid in the current programming period or during the preparations for the next programming period with the view to increase the effectiveness and quality of monitoring activities. It concerns particularly the quality of data transferred from MA IS to MSC2007, the scope and quality of monitoring of horizontal themes, the partnerships and to some extent also the public procurement and matters related to the design of the set of indicators.

Conclusions

The central monitoring system can at present be considered as **appropriate in terms of methodology and adequate** to the needs and requirements for effective monitoring of NSRF and OP implementation. Its development and current design were preceded by the period of methodological fine-tuning since it is a comprehensive area covering the whole content of all the strategic objectives of NSRF, or OPs. The methodologies were developed and adopted only in the course of implementation and subsequently updated where necessary, which to a certain degree influenced the effectiveness of monitoring. The methodological approaches that are currently used for the conduct of analyses and elaboration of outputs in the area of monitoring the structural interventions **to an adequate extent facilitate the analysis and evaluation of the ongoing implementation of NSRF and individual OPs** and, where necessary, also the provision of supporting documents for the adoption of adequate measures. When elaborating the outputs, the MRD-NCA checks the used data, and communicates the potential discrepancies to the relevant MAs, corrects the data in its outputs and releases only the data which has been verified.

Inconsistent design of the set of indicators thus brought about methodological issues in data aggregation. At the beginning of the programming period, the NCI suffered from the inconsistency the units of measure, names and codes of some indicators, which affected the comparability of data between individual OPs and rendered impossible the data aggregation at the NSRF level. At the NSRF level, multiple impact and context indicators were set out, the evaluation of which is based on statistical data influenced by external factors and supplied by external entities with long delays. For this reason it is **difficult to evaluate the actual impact of SF/CF interventions** on the fulfilment of these indicators, which hinders effective evaluation of physical progress in the implementation of set out strategies. The evaluation of some indicators is challenging since the actual needs in the given intervention area are unknown, which is caused by a different approach of individual MAs to the

definition of their target values. In case of some indicators, such units of measure are used (e.g. number of supported projects) which do not facilitate an adequate qualitative evaluation of the physical fulfilment of the given indicator and its contribution to the accomplishment of the set out objective.

Areas that show a certain room for improvement leading to better monitoring are based on the following findings:

- **The output data** from the central monitoring system MSC2007 in case of OP T and OP E does not correspond fully with the actual state-of-play of the implementation of these OPs since the information on projects from IS of relevant MAs is not consistent with the central monitoring data in MSC2007;
- The central monitoring system currently does not provide data in such an extent and quality that would enable detailed evaluation of **horizontal themes, partnerships and to a certain degree also public procurement**;
- The consistency between the description of the impact on equal opportunities and the impact declared in the description is not emphasised in order to make this link **conclusive**;
- There is no automatic **control mechanism** defined and established which would ensure the elimination of erroneous data caused by incorrect entry of information in the monitoring system of MA;
- The scope of some monitoring outputs can be considered fairly **broad**, which can place increased requirements on users when working with information content;
- The scope of the set of indicators in some OPs (ROPs in particular) is rather **unbalanced**;
- The mechanism of reinforced risk management is not included in the procedure for addressing the **suspension of certification of OP expenditure**;
- In the framework of MSC2007, **the history of changes made at the level of individual projects is not monitored**, it is impossible to generate reports as at an earlier date than the current date in order to meet the ad-hoc needs, it is impossible to create time series documenting the historical development of selected data. The historical data can be obtained only based on regular storage of pre-defined reports.

Recommendations

Programming period 2007 - 2013

In the framework of financial progress monitoring, in order to ensure the comprehensive coverage of OPs at risk it would be useful to add a **procedure for addressing the suspension of certification of OP expenditure** to the reinforced risk management mechanism, the functioning of which is governed by the “Methodological guideline for the monitoring of n+3/n+2 rule in the programming period 2007–2013“. Its purpose is to safeguard timely response to the suspended certification of expenditure and coordination of steps in taking measures leading to its recommencement as soon as possible.

In terms of methodology, it would be appropriate to set out, if possible, **strict borders for defining the targeted projects and projects with a positive impact on equal opportunities** and to define **specific monitoring indicators** following their continuous fulfilment. The specific indicators should be defined based on the knowledge of professional public of specific matters in the area of equal opportunities. In projects that receive preferential points based on their declared positive impact on HTs, adequate **control mechanisms** should be put in place which would prevent any formal declaration of a positive impact on HTs without that being true. In contract documentation, **binding physical indicators** should be set out which will be checked by the respective providers of assistance.

In order to improve the usability of some indicators for the evaluation, it would be fitting **to modify their units of measure**, or to replace them with indicators of qualitatively **higher reporting value**. An analysis of the fulfilment of these indicators by aid beneficiaries should be performed with the view to **eliminate the reporting of erroneous data and to modify the potentially inconsistent interpretation**, which may result in the declaration of inconsistent data.

In order to **do away with the inconsistency of output data** in MSC2007 system in some OPs, the causes of this situation should be thoroughly analysed and, if possible, adequate corrective measures should be taken already in the course of this programming period or for the next programming period at the latest. Despite intensive efforts exerted by MRD-NCA aimed at the gradual solution of identified deficiencies, problems in some areas of the monitoring system still prevail.

For the sake of optimisation, **an analysis of monitoring needs at the level of the European Commission, NSRF and MA** should be conducted, which will include a proposal for the optimisation of the development of output reports. To this end also proposed could be a potential optimisation of the set of indicators for the next period, conducive to the establishment of clear links between the set of indicators and the strategic objectives. It should result in the optimisation of database and the structure for financial and physical monitoring, evaluation of programmes, including the proposals for development of management control tools (management information system).

The content of outputs intended for operational and strategic management at the managerial levels should be optimised and focused only on **key information essential for management control**.

The referred to recommendations should be discussed with the relevant entities, especially within the Working group for single monitoring system with the view to decide on potential introduction of proposed changes in the system of monitoring. The effectiveness is closely related to the scope of requirements and tasks assigned to the central monitoring system. The more data is requested, the higher reporting value will be generated by the system and the better quality environment will be provided for monitoring and evaluation, **however at the expense of higher costs of its administration**. These contradictory tendencies therefore must be appropriately balanced in order for the system to be perceived as effective.

Programming period 2014+

It is highly recommended to conduct **an evaluation of the current experience** of the individual implementation structure entities with monitoring and **to adopt the monitoring system in time** for the next programming period, namely including the methodological documentation.

It will be essential **to start early enough to develop a set of indicators** that will follow clearly defined methodological rules, and to establish relevant links between the individual levels of implementation. When developing the strategy and programming documents, it is necessary to pay major attention to proper setting of objectives and the related sets of indicators and their definitions, including their baseline and target values. In line with the recommendation made under Evaluation area No 4 for the reduction of the number of operational programmes and their narrow targeting, also the **number of monitored indicators should be reduced**, while respecting the requirements for a simultaneous increase in the number of qualitative indicators.

In order to enhance the usability of MSC2007 for the generation of analytical outputs and trend monitoring, it would be beneficial for its users **to introduce the monitoring of the history of changes**. Since it is a pretty complex matter requiring a comprehensive solution consisting in a thorough analysis of functioning of the monitoring systems, the introduction of this functionality can be foreseen only starting with the next programming period.

With the advancement of e-government, the possibility **to store all the project documentation in electronic form** should be introduced, which will have a significant positive influence e.g. on the effectiveness of control activities and monitoring throughout the implementation.

8.2.2 Evaluation question No 2: Does the information system provide data of adequate quality for monitoring and evaluation of NSRF?

Evaluation question No 2:

Does the information system provide data of adequate quality for monitoring and evaluation of NSRF?

Summary evaluation of the Evaluation question No 2:

The information system through the assessed output reports provides basically the data of adequate quality and comprehensive data which enable the necessary conduct of activities in the field of monitoring and evaluation of NSRF. The deficiencies in data included in the monitoring systems are usually caused by human errors and they do not constitute problems of systemic nature.

Conclusions

The reports, assessed by the elaborator, **comprise the data of adequate quality and comprehensive data**, which enable the necessary conduct of activities in the field of monitoring and evaluations of NSRF, except for data monitoring the fulfilment of ENVI indicators.

Within the output report “Overview of projects“, partial deficiencies were identified in data on the **status of projects**, in data on individual steps in the administration of project applications, and in some **financial data**.

In case of the output report “Overview of payment requests“, troublesome is especially a fairly frequent occurrence of **negative values in the administration of PRs**. The report “Detailed overview of payment requests“ shows **illogical sequence and number of the occurrence of individual statuses of administration of PRs** in some payment requests.

The output report “Overview of irregularities“ is rather voluminous in terms of the scope of data and quantity of information on individual irregularities, nonetheless **the data in some types of information is highly inconsistent**, which complicates the conduct of analyses and evaluation of data included in this report. Moreover, the report does not comprise data, based on which it would be possible to clearly identify the individual projects under global grants.

Some indicators exhibited the occurrence of **extreme values** caused by human errors on the part of applicant / beneficiary or the MA, which distorted the results of conducted analyses. Where extreme values are reported, the MRD-NCA in cooperation with the relevant MA verifies the correctness of suspicious values, and in case the error is confirmed it tries to detect its causes in order to be able to correct the erroneous data as soon as possible.

In output reports “Overview of monitoring indicators related to horizontal themes“, certain uncertainty can be seen in the correctness of data monitoring the equal opportunities and in the correctness of results of analyses derived from this data due to inconclusive description of the impact in individual projects. Another problem area concerning the evaluation is the fact that the monitoring activities do not include the monitoring of the **actual impact of individual projects on equal opportunities in the course of implementation**. Unbiased evaluation of physical fulfilment of indicators of environmental criteria is compromised by inaccuracy of data at project level, brought about by differences in entering this data in the information system by beneficiaries. More details on these matters are given under Evaluation area No 3.

As concerns the generation of regular **monitoring outputs**, we may state that they contain majority of essential information concerning the financial and physical progress made in individual OPs, or

NSRF. A partial shortcoming is a fairly general justification of the status of absorption of funds and the physical progress achieved in individual OPs, or NSRF.

Recommendations

Programming period 2007 - 2013

Bearing in mind that the identified deficiencies in data included in the assessed output reports are most likely usually caused by human factor, the attention should be paid primarily to **prevention** at the level of individual MAs or IBs concerned through the provision of functioning of effective, especially qualitative **control mechanisms** and conduct of **training activities** aimed at increasing the awareness of relevant employees in the field of entry of data in the information systems of IBs and MAs.

In line with the Methodology of monitoring, the responsibility for the quality of data in the monitoring system is born primarily by the MA. It would also be useful to increase the effectiveness of and to reinforce the existing system of **checking the quality and topicality of data and outputs** from MSC2007 at the level of MRD-NCA with regard to the fact that the MRD-NCA is responsible for the provision of quality and topical outputs from central monitoring on behalf of the NSRF to the European Commission and other implementation structure entities. In this light a functioning **verification mechanism** should be introduced, by means of which the erroneous and extreme values of transferred data on financial and physical progress of implementation of individual OPs would be identified. Once the discovered deficiencies are discussed with the relevant MAs and their causes are identified, adequate corrective measures should be taken and their accomplishment should be subsequently monitored.

The monitoring outputs should contain a thorough **analysis of causes of the financial and physical progress**, with an emphasis laid on monitoring and evaluation of priority axes, or intervention areas in which major differences are found between individual stages of project cycle, between individual statuses of absorption of funds, and in which major deficiencies are identified in terms of the fulfilment of set out indicators.

Programming period 2014+

This evaluation question concerns the current programming period.

9 Overview of Proposed Recommendations

9.1 Approach to Evaluation

The following two sub-chapters sum up the recommendations defined within the analyses conducted in individual evaluation areas. The recommendations are divided into a group of recommendations related to the current programming period and the group of recommendations directed at the next programming period 2014+.

In each programming period, the given recommendations are classified into sub-groups based on the urgency of their implementation. The recommendations are ranked by priority of their implementation as follows:

-  The recommendation should be implemented as soon as possible
-  The recommendation does not have to be implemented immediately, but it should be implemented by the end of this / by the launch of the next programming period
-  Implementation of the recommendation can be considered based on the development in the problem area concerned

9.2 Programming period 2007 - 2013

Recommendation	Priority
In the remaining years of the programming period, stress should be put particularly on the support of interventions that will, by their nature, significantly boost the economic growth and contribute to addressing the ongoing financial and economic crisis. In the remaining part of the current programming period, especially such areas should be supported through individual OPs that are of pivotal importance for sustainable development of the CR, but have been stagnating so far. Ranking among such areas could be the competitiveness of domestic business sector, research and development, transport infrastructure, and public administration.	
To simplify the administrative procedures in the approval of applications for support (e.g. by restructuring and higher effectiveness of processes performed by MA and IB, simplification of procedures for applicants through maximum possible alignment of rules and methodological procedures, and reduction of their changes to minimum in the course of the programming period, full digitisation of the process of submission of monitoring reports and payment requests, adoption of uniform and clear documentation for calls for submission of project applications, etc.), or to promote cooperation with experts relevant for the evaluation of project applications.	
Continue to pay attention to those OPs, in which problem areas have been identified, and to adopt adequate measures in time in order to improve the existing situation and to support the implementation of the respective part of OP (modification of conditions of the call, announcement of a specific call, organisation of seminars for applicants, etc.).	

Recommendation	Priority
So as to eliminate the risk of failure to absorb the 2009 allocation to exploit the experience of MA gained while performing management activities ensuring the absorption of the rest of the allocation for 2008. This acquired knowledge of procedures should be collected and assessed by a relevant working group and in the form of recommendations offered to individual MAs.	
To continue the ongoing evaluation of the fulfilment of individual indicators crucial for assessment of the accomplishment of OP and NSRF objectives. In case their accomplishment is at risk, to adopt adequate measures boosting the absorption capacity of the given part of OP. Attention should be paid particularly to those indicators, the fulfilment of which is now unsatisfactory and where no conditions are established to improve the situation soon.	
With the view to evaluate the sustainability to monitor the problem projects at the level of MAs and IBs, in which the breach of sustainability rules has either been identified or is imminent, and based on the data on individual projects to continuously evaluate the trends and reasons behind this situation and to adopt suitable measures to eliminate them.	
To minimise the procedural and administrative errors in the conduct of tenders. This can be achieved by ongoing improvement of quality of methodological support for aid beneficiaries, participation of representatives of implementation entities in tenders, conduct of ex-ante controls of tenders by relevant implementation entities prior to their publication (risk of an increased administrative burden), or by introduction of a list of certified consultancy companies with expertise in the field of tenders, to be used both by aid beneficiaries and implementation entities.	
To provide effective support to beneficiaries in the form of clear methodological interpretation of eligible expenditure, updates of methodological guidelines and provision of training and advisory services.	
Based on the information in the register of irregularities to focus, adopt and implement measures to avoid the occurrence of individual identified types of irregularities.	
In order to improve the usability of some indicators for the evaluation of the impact on the fulfilment of HTs, to modify their units of measure, or to replace them with indicators of qualitatively higher reporting value. To perform an analysis of the fulfilment of these indicators by aid beneficiaries with the view to eliminate the reporting of erroneous data and to modify the potentially inconsistent interpretation, which may result in the declaration of inconsistent data.	

Recommendation	Priority
To carry on effective risk management as a follow-up to the currently identified risks, which might substantially impact or have already impacted the NSRF implementation in the current programming period. The major risks are the following: • Failure to absorb the allocated funds by individual OPs, i.e. non-fulfilment of n+3/n+2 rule; • Suspension of payments by the European Commission; • Breach of public procurement rules; • Complicated system of implementation; • Inconsistent interpretation of central methodologies and rules, and non-compliance with them • Delays in the approval of major projects; • Slow reimbursement of funds for pre-financing to the state budget; • Increase in ineligible expenditure.	
In case of OPs using the ex-ante payments, to incorporate the interpretation of MoF and MA in the methodology, according to which the existing irregularities (except for ineligible expenditure which is governed by Act No 465/2011 Coll., amending the budgetary rules) can be addressed jointly only at the time of approval of the final monitoring report and the final accounts of the specific project. The referred to mechanism would substantially contribute to reducing the administrative burden associated with addressing a number of minor irregularities that occur in relation to pre-financing of expenditure in some projects.	
To focus on formal and physical evaluation of Summary reports on OP risks. Although the form and methodology of the elaboration of Summary reports on OP risks is clearly defined, the individual reports are sometimes substandard in terms of their form. Also the quality and content of the submitted reports is of different standard. In case of poorly elaborated reports, the MRD-NCA should identify the cause thereof and in cooperation with the MA help remedy the situation. Following the analysis and evaluation of potential discrepancies, these reports should be discussed with the view to reach a consensus of opinion with the MA. Discussions should also cover the proposed measures to eliminate the risks posed to the implementation.	
To increase the effectiveness of the system of risk escalation. The clearly defined procedure and the adoption of effective mechanisms facilitating speedy solution of the situation necessitating an escalation would help ensure more effective coordination and implementation. The design of the system of risk escalation should build on the discussion on definition of roles and powers of individual implementation structure entities, including the MRD-NCA, with the view to define clear competences and tools, which shall safeguard effective functioning of this mechanism.	

Recommendation	Priority
In order to ensure the comprehensive coverage of OPs at risk to add a procedure for addressing the suspension of certification of OP expenditure to the reinforced risk management mechanism, the functioning of which is governed by the “Methodological guideline for the monitoring of n+3/n+2 rule in the programming period 2007–2013“. Its purpose is to safeguard timely response to the suspended certification of expenditure and coordination of steps in taking measures leading to its recommencement as soon as possible.	
Bearing in mind that the identified deficiencies in data included in the assessed output reports are most likely usually caused by human errors, the attention should be paid primarily to prevention at the level of individual MAs or IBs concerned through the provision of functioning of effective, especially qualitative control mechanisms and conduct of training activities aimed at increasing the awareness of relevant employees in the field of entry of data in the information systems of IBs and MAs.	
In line with the Methodology of monitoring, the responsibility for the quality of data in the monitoring system is born primarily by the MA. It would also be useful to increase the effectiveness of and to reinforce the existing system of checking the quality and updatedness of data and outputs from MSC2007 also at the level of MRD-NCA with regard to the fact that the MRD-NCA is responsible for the provision of quality and topical outputs from central monitoring on behalf of the NSRF to the European Commission and other implementation structure entities. In this light a functioning verification mechanism should be introduced, by means of which the erroneous and extreme values of transferred data on financial and physical progress of implementation of individual OPs would be identified. Once the discovered deficiencies are discussed with the relevant MAs and their causes are identified, adequate corrective measures should be taken and their accomplishment should be subsequently monitored.	
The monitoring outputs should contain a thorough analysis of causes of the financial and physical progress, with an emphasis laid on monitoring and evaluation of priority axes, or intervention areas in which major differences are found between individual stages of project cycle, between individual statuses of absorption of funds, and in which major deficiencies are identified in terms of the fulfilment of set out indicators.	
The eliminate the delays in project implementation for reasons of delays caused by the implementation of public procurement, consistent evaluation of the application of Act on public contracts in practice and by proposing its amendments, providing effective methodological support to applicants and aid beneficiaries and increasing the effectiveness of OPC activities.	
To continuously monitor the implementation of individual OPs and if the situation deteriorates to conduct an analysis and subsequently to adopt adequate measures, which as a last resort may consist in the reallocation of funds to other OPs. Following a thorough evaluation of the drawdown of funds conducted at the beginning of 2012, an analysis of potential use of remaining funds should be carried out to the level of individual intervention areas with the view to make potential reallocations.	

Recommendation	Priority
To intensify the process of evaluation of project applications and the controls (e.g. to ask companies that avail of experience with similar types of projects to give an opinion on 3Es, to introduce a database of projects and outputs in order to perform benchmarking, to introduce a central system of unit costs, to introduce the CBA to all relevant OPs, etc.).	
In projects financed from ERDF and CF, it will be necessary to gradually shift the focus of controls to the stage of sustainability of project results, where in the future the majority of irregularities would most likely arise, namely not only the focus of documentary checks, but also the on-the-spot checks.	
To support activities targeted at the exchange of experience with the other staff of MAs, or evaluation units, consultants, and experts in the field of fulfilment of horizontal themes.	
To revise the system of project evaluation conducive to stricter and more objective evaluation of the declared impact of projects on HTs and to design the monitoring criteria with the view to ensure effective monitoring and evaluation of projects from qualitative and quantitative perspective, including the application of potential penalty mechanisms.	
To increase the effectiveness of interventions for the fulfilment of HTs by more narrowly targeted calls for submission of projects, linked to the strategic documents of the European Commission (particularly the Europe 2020 strategy, EU Sustainable Development Strategy) and of the Government of the CR (particularly the Government Priorities and Procedures for the Enforcement of Equal Opportunities for Men and Women, Strategic Framework for Sustainable Development of the CR) which define the current priorities and problem areas of equal opportunities and sustainable development. In terms of targeting of the individual support tools to use consultations with project holders and to exploit their potential positive and negative experience.	
To further harmonise the ways of provision of assistance to aid beneficiaries in line with the rules governing the state budget and territorial budgets, including their control mechanisms and potential enforcement of penalties for the breach of budgetary discipline in order to enhance the legal certainty of aid beneficiaries and to align the conditions under which the EU funds are granted in the CR.	
In order to reduce the administrative burden of IBs, MAs and aid beneficiaries, effective coordination of controls carried out by the national control authorities should be put in place. Through joint efforts exerted by MRD-NCA and relevant central authorities, a mechanism should be adopted for the coordination of planning the controls in individual OPs, which builds on the databasis of all controls conducted by EU and CR control authorities comprising the relevant data on conducted controls, which will be necessary for effective planning and coordination of future control activities.	

Recommendation	Priority
For the sake of optimisation to conduct an analysis of monitoring needs at the level of the European Commission, NSRF and MA, which will also include a proposal for the optimisation of the development of output reports. To this end also proposed could be a potential optimisation of the set of indicators for the next period, conducive to the establishment of clear links between the set of indicators and the strategic objectives. It should result in the optimisation of database and the structure for financial and physical monitoring, evaluation of programmes, including the proposals for development of management control tools (management information system).	
To discuss the recommendations with the relevant entities, especially within the Working group for single monitoring system with the view to decide on potential introduction of proposed changes in the system of monitoring. The effectiveness is closely related to the scope of requirements and tasks assigned to the central monitoring system. The more data is requested, the higher reporting value will be generated by the system and the better quality environment will be provided for monitoring and evaluation, however at the expense of higher costs of its administration. These contradictory tendencies therefore must be appropriately balanced in order for the system to be perceived as effective.	
In OPs that face inadequate administrative capacity to consider the use of external administrators to perform the defined processes in the course of project administration.	
To introduce the rule of co-financing by aid beneficiary in all projects, where their nature suggests that they would be motivated to more effective spending of funds, and horizontal reduction of the rate of support, while taking into account its impact on absorption capacity.	
For the sake of transparency of the system, to consider the compilation of a central list of experts in specific branches, who would assess both the efficiency of proposed project objectives and the estimated costs required for the attainment of these objectives.	
For the sake of targeted identification of type projects which significantly contribute to HTs, to consider the establishment of a best/bad practices database. To continuously increase the number of best practices, to analyse them, evaluate them and generalise them and to use them for the definition, or redefinition of indicators and intervention policies. To share the knowledge and experience which was proven worth to the managing authorities in fulfilling the HTs and to continuously improve the quality of fulfilling the HTs.	
To consider to increase the effectiveness of the NSRF system of coordination by the introduction of performance and quality management systems (e.g. BSC, CAF) in the implementation structure. The implementation of these systems will ensure to a considerable degree the response to any unsuitable situation and will guarantee an uninterrupted increase of effectiveness, quality and performance of all the implementation structure stakeholders.	

9.3 Programming period 2014+

Recommendation	Priority
Based on the up to now development of socio-economic environment, which was still substantially affected by the ongoing economic crisis, it may be assumed that the majority of existing NSRF strategic objectives and priorities are valid also for the next programming period 2014+. Thus, the support in the next programming period should also be channelled to areas, the development of which shall ensure the support of sustainable growth of the CR. It concerns the following areas: • Strengthening the competitiveness of the CR through further simplification of conditions for business, development of cooperation between the business sector and education and research institutions, application of results of research in practice, and more intensive exploitation of venture capital; • Development of quality and scope of transport infrastructure; • Improving the status of environment; • Modernisation and increasing the quality and effectiveness of public administration; • Strengthening the cooperation and partnership between the public and private business entities in tourism; • Strengthening the integrated territorial development, closing the gaps in the level of economic advancement and unemployment rate between individual regions.	
The speed of absorption in the current programming period is affected by problems encountered in the implementation structure, complex administrative procedures and complexity of OPs, manifested by a large number of small projects, priority axes and intervention areas. Thus, in the next programming period 2014+, the emphasis should be put on simplifying the implementation structure, increasing the effectiveness of project administration and setting out an adequate number of OPs, their structure and physical scope.	
The alignment of the methodological approach to the evaluation of efficiency, effectiveness and economy, introduction of CBA in the process of evaluation of applications for support and the establishment of a central system of unit costs will be conducive to higher effectiveness and transparency of the spending of public funds.	
To reduce the number of operational programmes. A lower number of OPs should thus correspond with a lower number of narrowly targeted objectives, with a stress to be put on a due accomplishment of the set out OP objectives. In the light of the recommended more effective implementation structure and the concentration of the addressed themes in a lower number of OPs, it seems more efficient to concentrate the implementation of structural interventions through centrally managed thematic operational programmes.	

Recommendation	Priority
A lower number of OPs should become the starting point for streamlining the design of the implementation structure. When developing the layout of implementation structure, various alternatives can be considered. However, such an optimal solution should be identified, which shall respect the relevant CR as well as EU statutory requirements, comply with the hierarchy of public administration authorities and self-government in the CR, and at the same time exploit the know-how and experience of the implementation entities gained in the course of the current programming period. In this context it shall be highlighted that the principle should be respected that the provider of assistance acts as the MA and budgets the funds required for the programme in its budgetary chapter.	
To harmonise the principles governing the functioning of individual implementation structure entities in order to avoid the dual-track approach prevailing in some areas, which applies especially to the way of provision of assistance and imposition of penalties for the breach of budgetary discipline. The powers related to the provision of assistance should be granted to MAs, while IBs should, if possible, remain subordinate to the MAs. The legal acts, by which some of the MA powers will be delegated to IBs, should clearly define the responsibilities of both the parties, including the imposition of penalties for their breach, in order for the MAs to avail of adequate tools for the imposition and enforcement of corrective measures.	
To launch the discussion on the definition of roles and powers of individual implementation structure entities with the view to define clear competences, to reinforce legal certainty of individual entities, and to streamline and simplify the implementation structure as a whole. This discussion should be held in line with the principle of partnership with consensus of opinion of individual actors of the cohesion policy, and the proposed solutions should also enjoy a broad political support.	
To set out more effective system of coordination of controls conducted by various control bodies at both the national and EU level, which currently represent a large administrative burden for implementation entities.	
To set out an effective risk management system also for the next programming period, in which it will be necessary to manage especially the following risks: • Lack of public funds for co-financing and pre-financing; • Unstable and insufficient administrative capacity; • Complex system of implementation; • Non-compliance with binding procedures; • Public procurement; • Approval of major projects; • Development of CZK/EUR exchange rate; • Information system.	

Recommendation	Priority
To appoint a central coordinator with clearly defined powers and responsibilities and effective tools for effective management and coordination of Structural Funds in the CR in the upcoming programming period. It seems fitting that the MRD continues to play the role of a coordinator since it has had many years of experience with the coordination of SF and CF implementation gained in two programming periods and since at present it also acts as a coordinator of the process of preparation for the new programming period 2014+.	
In order to achieve successful implementation of structural interventions in the next programming period 2014+, it is desirable to thoroughly prepare the focus of these interventions in connection to further development of socio-economic situation in the CR. The preparation for the next programming period should comprise the following steps: • To perform an update of evaluation of the development of socio-economic environment of the CR in connection to the achieved results of NSRF implementation, individual OPs and national development programmes; • To prepare national, sector oriented, development strategies that adequately respond to the development of socio-economic environment in the CR with such a structure that will facilitate the definition of suitable areas of these strategies intended for financing from EU funds; • To map the general needs in relation to the above referred to areas of development, to identify the physical focus of individual interventions and to evaluate the absorption capacity in individual areas at which the interventions shall be directed; • To reflect the above mentioned steps in the preparation of programming documents for the next programming period in line with the new rules that will govern the implementation of structural interventions in the next programming period.	
To design a quality set of indicators with clearly defined methodological rules and also to design relevant links between individual levels of implementation, i.e. to select not only indicators relevant in terms of their focus, but also to set the target values of indicators in a way that would help prevent the necessity of their modification during the programming period. At the same time, the indicators shall be objectively measurable and aggregatable so as to facilitate effective and targeted qualitative evaluation of physical progress in the accomplishment of objectives set out in the respective development strategies of individual programming documents. When developing the strategy and programming documents, it is necessary to pay major attention to proper setting of objectives and the related sets of indicators and their definitions, including their baseline and target values. In line with the recommendation for the reduction of the number of operational programmes and their narrow targeting, also the number of monitored indicators should be reduced, while respecting the requirements for a simultaneous increase in the number of qualitative indicators.	

Recommendation	Priority
To introduce more stringent rules for the conduct of tenders. An approach should be supported when primarily the criterion of the best price at clearly defined parameters of contract delivery is reflected in tender documents and in the process of selection of supplier. The final selection should be made based on the evaluation of at least two comparable bids and the decision on selection of a supplier should be adopted with respect to the lowest bid (price). Departure from such a procedure should be duly justified and documented. The qualification requirements for tenderers should contain non-discriminatory criteria.	
When designing the implementation system for the next programming period, it is necessary to make appropriate amendments to relevant legislation, subordinate legislation and methodological guidelines in order to remedy the current situation in the area of ex-ante financed projects, where the application of the system of advance payments in connection with the legislation in force results in a large number of mostly financially less significant irregularities, whose addressing later excessively burdens the system of implementation.	
Since the HTs will be the priority in the next programming period too, more attention should be paid to this area already during the preparations for the next period. The programming documents and the system of implementation should be designed so as to allow for maximum possible fulfilment of HTs through the implementation of suitable projects.	
The experience with typical projects which significantly contribute to the fulfilment of HTs should be used when drafting the content of programming documents for the next programming period and thus contribute to appropriate focus of individual programming documents or their parts on addressing the HTs.	
To conduct a thorough comprehensive analysis and evaluation of experience of individual implementation structure entities with the monitoring of HTs and based on the obtained results to design the monitoring system for the next programming period, including the methodological documentation.	
At project level, to devote sufficient room to unclarified matters concerning the application of the principle of partnership (unclear defining features, sustainability, etc.) in order to tap the potential of benefits of these partnerships as much as possible. At the same time, it is necessary to exploit the experience from projects that are currently under implementation in order to identify suitable measures conducive to the elimination of potential drawbacks of the partnership.	
To further improve the quality of human resources management systems in terms of motivation, remuneration, education and training, and personal growth of staff with the view to minimise the turnover of staff and to retain especially the qualified, experienced, and quality employees who are vital for the maintenance and use of experience gained in the current programming period.	
To conduct an evaluation of the current experience of the individual implementation structure entities with monitoring and to adopt the monitoring system in time for the next programming period, namely including the methodological documentation.	

Recommendation	Priority
If the territorial development continues to be supported through integrated approaches (IUDP), it should be done based on the reduction of fragmentation caused by a broad portfolio of operational programmes. Optimally, their inclusion under a single OP addressing the territorial development should be considered.	
For the upcoming programming period 2014+, in terms of monitoring the fulfilment of HTs a compromise should be proposed between the existing alternative applied under OP HRE focused on qualitative factors that are more difficult to evaluate, and the system of a centrally monitored list of indicators or criteria.	
To consider an adoption of a separate piece of legislation stipulating the functioning of the system of implementation of EU funds. This way, the problem areas could be addressed, the rectification of which through the amendment to the existing legislation appears to be rather challenging (e.g. multiannual financing of projects, enforcement of penalties).	
To consider the cutting down of the time needed for the administration of applications by full digitisation of the process of submission of applications, including the use of electronic signature and simplification of the required documentation, i.e. for example to abstain from requiring information available in the relevant central registers, records, and databases.	
The changes in the design of implementation structure can be implemented either through the amendments to the existing legislation, or through a separate law incorporating the requirements laid down by the relevant EU legislation, which would in a comprehensive manner stipulate the rules for individual areas of activities (financial flows, methodological guidelines, conduct of controls and addressing irregularities, project administration, etc.) and define the powers and the field of responsibility of individual implementation structure entities.	
With the advancement of e-government to consider the possibility to store all the project documentation in electronic form, which will have a significant positive influence e.g. on the effectiveness of control activities and monitoring throughout the implementation.	

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