



Evaluation project 3/04
Analysis and evaluation of the external environment
of RPS implementation system
Final Report

July 2005

For the Ministry for Regional Development
Compiled by Berman Group company

Evaluation project 3/04

**Analysis and evaluation of the external
environment
of RPS implementation system**

Final Report

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**For the Ministry for Regional Development
Compiled by company**

BermanGroup
economic development services

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Project compiler contacts:

Company name:

BERMAN GROUP – služby ekonomického rozvoje, s.r.o.

Registered office:

Semín 107, 535 01 pošta Prelouc

Address of the company office:

Na Kvetnici 25, 140 00 Praha 4

(Please address all your mail to the company office in Prague)

Phone: **261 226 666** Fax: 261 **221 753**

Website: www.bermangroup.cz

Jan Vozáb, project team leader

GSM: **723 850 804**

E- mail: vozab@bermangroup.cz

Jana Hanušová, consultant

GSM: **721 771 871**

E- mail: hanusova@bermangroup.cz

Dušan Kulka, executive

GSM: 602 **358 800**

E-mail: kulka@bermangroup.cz

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Final Report of Project 3/04

Analysis and evaluation of the external environment of RPS implementation system

1. INTRODUCTION

The Project 3/04 "Analysis and evaluation of the external environment of RPS implementation system" lasted from November 2004 till July 2005. The Project is a part of continuous evaluation of the Structural Funds (SF) intervention in the Czech Republic, commenced after the country adjoined EU. At the same time it is one of the source documents for the development of programme documents for the next programming period. It concentrates on the analysis and evaluation of those influences over the Czech Republic's absorption capacity that are reflected at the level of projects, and can be considered external ones from the implementation system viewpoint.

Final report of the Project – answers to the evaluation questions – is divided in three parts:

- General (external) problems and obstacles of project development, and SF implementation in the CR, system weaknesses and recommendations (chapters 3.1 – 3.3)

This part represents a framework for further evaluation on one hand, on the other hand there are basic causes of the external barriers of SF implementation described, directly or indirectly influencing major part of the partial barriers described in detail in the following chapters.

- Problems and obstacles of the project development and implementation given by the institutional environment in the Czech Republic (chapter 3.4)

This part deals with the conditions under which individual development actors, final beneficiaries, final users (and to a limited extent intermediary bodies as well) develop and implement their projects. From the viewpoint of development actors these are the external conditions, out of their direct control.

- Problems and obstacles of the project development and implementation on the side of development actors themselves (chapter 3.5)

The problems and conditions external regarding the RPS implementation system, but internal from the viewpoint of development actors – conditions and factors given by the character, structure, capacity and interests of the actors. The development actors may influence this group of factors at least to a certain extent.

Another part of the Final report is the updated and extended "**Analysis of projects by measures – MSSF Central outputs**". This analysis shows in a well-arranged manner how and by which projects the individual measures observed are built up, what kind of promoters submit their projects, and the activities these project aim at.

The report "**Selected aspects of funding of development actors, and their impact on the absorption capacity of the Czech Republic**" compiled as a part of the evaluation project in April 2005, when it was discussed and adopted by an expert group, is attached to the Final report as an annex.

2. BASIC INFORMATION ON THE PROJECT

2.1. Objective of the Project Evaluation questions

The objective of the Project 3/04 "Analysis and evaluation of the external environment of RPS implementation system" according to ToR was

"...to identify and evaluate major external influences over the successful RPS implementation, and absorption of Structural Funds (namely in the sense of project generation and aiming), and subsequent proposal of procedures of modification of the external environment of SF implementation system".

The objective was further specified in ToR by two evaluation questions:

- 1) Is there a sufficient project generation capacity (public and private actors) that would ensure maximum benefits?
- 2) What are the main problems and obstacles of generation of the projects effective from the external environment viewpoint (outside the very SF administrative structure), i.e. legislation, finances and the like?

The evaluation questions have been elaborated by the compiler into partial questions that provided for more precise focus on the review of external project development and implementation barriers. These partial questions were:

- 1a) Is there a sufficient offer of projects of various actors, in different territories and fields relevant to particular OP measures, so that the financing subjects have the option to select good quality projects that will contribute to the achievement of ESC policy goals, and guarantee real development of the area?

This question was answered on the basis of review of presented data/information, or projects approved within selected measures. Nevertheless many measures at which the 3/04 Project was aimed are quite differentiated, moreover they often have the character of measures that "enable" to develop and submit projects, not "require" rather exactly specified project. The variety of applicants' projects was wide due to this reason. That is why the first evaluation question was elaborated into another partial sub-question:

- 1b) Are the projects that fall within measures balanced in a suitable (even) manner, regarding the interests embodied in the measure? If not, which parts of the measure, or which sub-measures are not sufficiently planned, and why?

"**Analysis of projects by measures – MSSF Central outputs**" included in the Final report deals with the answer and detailed explanation of both the sub-questions of the evaluation question 1. The analysis shows how the projects are structured according to individual measures (as of June 2005), with an emphasis on the character (related to the expectations of particular measure) and the project promoters.

General answer to the question 1 can be summed up as follows: except the two observed measures of OP Infrastructure (2.2 Support of combined transport, and 2.3 Support of introduction of alternative fuels) there is sufficient offer of projects. However, the projects are distributed unevenly, regarding both their character and the applicants anticipated in the measure.

The second evaluation question was aimed at the development actors themselves, or review of the (external) conditions, under which these actors develop and submit their projects. This question was also elaborated in two partial sub-questions:

2a) Why are there not enough projects, i.e. why the relevant development actors do not generate enough (good quality) projects?

2b) Why the developed projects are not of the kind that would lead to maximum benefits?

Both partial questions under clause 2 dealt with external obstacles that prevent the generation of real **development** projects, oriented in a desirable direction, with the required results and in the required quality. The development character of the projects is stressed here, character that leads to improvement of (mostly economic) conditions of the target groups.

Chapter 3 of the Final report, which identifies major obstacles of the development of (sufficiently good) projects, deals with the answer and detailed explanation of both the sub-questions of the evaluation question 2, explains their causes and consequences, and proposes relevant measures to improve the situation.

There is no summed up simple answer to the evaluation questions 2a) and 2b), as the present condition and the external obstacles represent complex of intertwined facts and causes.

Both the main evaluation questions aimed at the assessment of the roles and capacities of development actors who develop, submit and implement the projects. Provided the very RPS implementation structures more or less enable the implementation of already existing / developed projects, the review of external environment outside the framework of implementation structures gives the answers to the questions above.

2.2. Project methodology

The project has been developed in three stages, described in further detail in the next chapter. The project was based on the assumption that the development, submittal and implementation of the projects under Structural Funds in the Czech Republic are influenced by three groups of mutually related external factors:

- 1) **effects of the institutional environment in a wider sense**, for instance legislative conditions and barriers, public administration funding, or conditions and availability of financial resources for private entities, administrative structure etc.; from the (potential)

project promoters' viewpoint (core subject of both the questions) these are external conditions;

- 2) **influences on the side of (potential) promoters themselves**, for example organizational structures or management methods of the final beneficiaries or final users, skills/abilities of their staff, and personnel capacity in general, availability of resources, namely financial, etc.; from the development actors' and project promoters' viewpoint these are internal conditions;
- 3) **intervention mechanisms (national) and their relation to the intervention mechanisms of Structural Funds** are in fact part of the institutional environment, but dealt with separately due to their importance; this influence was described and explained in the initial report;

The three groups of external factors, reviewed during the study of documents and reports prepared earlier (ABCap etc.), were thoroughly discussed and confirmed in the initial report. Their effects on the development and implementation of projects were reviewed using various partial techniques.

- a) Analysis of documents, legislative and financial conditions of specific groups of actors regarding the needs of selected measures of operational programmes. Stakeholder analysis and institutional analysis were part of the survey.

Analysis of documents and other secondary sources was used mainly to identify and evaluate the external barriers concerning the institutional environment. Conclusions of this type of research were reviewed, precised and supplemented with other techniques, for example direct field research.

- b) Analysis of projects by measures, or in-depth analysis of project details in the cases where such data could have been obtained (for more detail see chapter 4 Evaluation problems and obstacles).

Evaluation of measures regarding the planned and anticipated activities related to the proposed final beneficiaries and final users, or their financial capacity and "mission" within the administration system, and their role in the implementation of public interventions under Czech legislation, were important part of these analyses.

Analysis of projects and the in-depth analysis of measures on one hand verified or enabled modification of the conclusions, on the other hand they brought up another issues and topics to be dealt with by the field research.

- c) The field research The original proposal included the use of so-called focus groups, but due to fundamental difficulties of their organization (for further details see chapter 4 Evaluation problems and obstacles) the field research was finally executed through individual or group managed interviews with 2-4 project promoters or implementation body representatives. Questionnaires were used in the field research to a limited extent.

The three groups of techniques above were being used throughout the evaluation project as necessary, and usually combined for the purpose of conclusions and recommendations.

The partial conclusions of the Project 3/04 "Analysis and evaluation of the external environment of RPS implementation system" were discussed and subjected to comments of expert groups

established by the Principal. The comments were subsequently incorporated in the evaluation materials.

2.3. Team of compilers and its involvement in the Project

Name and position of expert	Days
RNDr. Jan Vozáb, PhD – Berman Group, project team leader	40
Doc. RNDr. Jirí Blažek, PhD – external associate of Berman Group, senior expert	10
Dr. Blažek was replaced in course of the project with Mgr. Pavel Csaneek, junior expert	23
Dr. Colm McClements – external associate of Berman Group, senior expert, Ireland	15
Ing. Tomáš Vlasák – Berman Group, senior expert	17
Ing. Petr Adámek, MBA – Berman Group, senior expert	12
Mgr. Jana Hanušová – Berman Group, junior expert	35
Ing. René Fejl – Berman Group, junior expert	12
Katerina Zvercová – administrative and technical support	
Total number of days actually spent on the project	164

The project had to be prolonged, the original research methods based on the focus groups could not have been used in full, and it was very difficult to obtain necessary details of projects from the steering bodies in some cases – due to these facts the project finally needed more days than originally expected, and included in the minimum obligation of the Compiler, which had been 130 days.

3. SUMMARY AND RECOMMENDATIONS

This chapter summarizes partial problems, conclusions and recommendations that may be generalized for operational programmes and projects of Structural Funds as a whole.

In the parts 3.1 – 3.3 context of external barriers of implementation due to the system and mechanism of operation of public interventions in the Czech Republic is described, which considerably influences the expectations of development subjects regarding Structural Funds, or directly determines the aiming and character of individual measures of operational programmes.

- In the parts 3.4 and 3.5 other conclusions and recommendations are mentioned that relate to the individual partial external barriers outlined in the methodological part.
 - In the part 3.4 conclusions and recommendations are included that relate to the environment, where individual development actors generate and implement their projects – these are the external conditions with effects on the behaviour and activities of individual actors.
 - In the part 3.5 conclusions and recommendations are included that relate to the internal situation / conditions of individual development actors – simply put factors of absorption capacity directly on the side of development actors.

3. 1. Framework (general causes) of the problems of Operational Programmes and SF projects implementation

The Czech Republic is still in the initial stages of implementation of Structural Funds programmes. However, it is already possible – on the basis of the first rounds of project selection and implementation – to formulate number of significant implementation barriers given by both the functionality of the very implementation system, and the functionality of public administration institutions in a wider sense, their mutual relations, and relations to private and non-profit sector organizations.

Individual problem issues – external barriers – that complicate the utilization of Structural Funds resources, that prevent development of (desirable) projects, and that will probably lead to partial problems when achieving the required (and expected) results and impacts at the level of projects, measures, and operational programmes, are described in detail in the charts included in sub-chapters 3.4 and 3.5.

Nevertheless, it is possible to articulate more general conclusions concerning the institutional system and environment in the Czech Republic in relation to the public interventions of Structural Funds that create certain framework for major part of (if not all) problem issues described later on. These problem issues, or recommendations, aim in a certain way at the completion of system changes, and elimination of general causes of faults in the utilization of SF resources, though without the system solution described in this part it can be presumed that the partial solutions to individual problem issues proposed here will have only limited impact.

EU directives regarding the implementation of Structural Funds require every member country to prepare the institutional and legal environment, which would provide for the utilization of SF resources. Concerning the preparation of these institutions and rules specifically aimed at the management and regulation of SF programmes and projects the Czech Republic succeeded, and **the general conditions of implementation of operational programmes are more or less functional.**

The purpose of SF resources in cohesion countries, such as the Czech Republic, is to facilitate and support their understanding with the developed EU countries, and to achieve the average indicators of EU countries. For this purpose the Structural Funds support public policies and interventions that comply with the priorities of European policy of Economic and Social Cohesion (ESC). In fact it is expected and assumed that there are national policies and relevant programmes {of states and regions) in place, which comply with the ESC policy and SF rules. This enables the SF resources to be used within these national programmes, or in compliance with them.

About one year after the implementation of operational programmes started it is clear the financial resources in many areas are utilized without fundamental problems – especially in the field of infrastructure investments – and the Czech Republic will have no problems absorbing them. It is too early to make final judgment, but still possible that problems may appear in some of these "successful" fields of public interventions, when evaluating their impact, actual benefits for the economic convergence of the CR with more developed EU countries.

Apart from that numerous weaknesses of the present system can be identified already now. These are apparently unavoidable, and have occurred in many adjoining countries. Still it is necessary to deal with them seriously in order to increase the efficiency of utilization of SF resources in the next programming period.

There is no doubt the conditions for effective utilization of structural assistance in years 2007-2013 move considerably towards higher perseverance when achieving and demonstrating the effects of public interventions at the project and programme levels. This fact is apparent at more general level from the difficult negotiations about the EU budget for the next period, and it is clear from the drafts of new directives.

3.2. Main weaknesses of the implementation systems of national and European policies and programmes

- 1) Public policies in key ESC areas are not systematically linked to the system of national public interventions and programmes in the Czech Republic, and SF programmes are often designed as parallel to the national (state, regional) ones. **Thus SF programmes (with some exceptions) are not connected with the Czech system of public interventions, with their objectives and funding.** This means unlike the developed EU countries the Czech Republic does not enter the SF programmes with developed and well tried national programmes compatible with SF programmes and usable as a basis for the utilization of SF resources.
- 2) Due to the very limited target orientation of national policies and programmes one of the major difficulties was (and still is) the pressure from EU on the objectives of public interventions to be achieved in the CR with the help of SF. These objectives of SF interventions are set (to certain extent) independently on the national programmes and supporting financial mechanisms. One of the reasons is that the national programmes often do not have explicit objectives expressed by achievement indicators.
- 3) EU obviously requires targeted, objective-driven programmes and investments, results (measurable, demonstrable) of which are subject to continuous monitoring, and evaluation of

the impacts/effects at later stages. On the other hand the national programmes (state and regional) are often comparably weak concerning two aspects:

- (i) aiming at explicitly articulated and observed objectives / results,
- (ii) implementation mechanism, which is not completely or without modification usable for SF programmes.

Despite the efforts exerted the CR has not succeeded in a mass utilization or adjustment of the existing national programmes and financial mechanisms (subsidy titles) for the purposes of SF programmes.

- 4) Even in the areas, where the state tries to implement its own policies directly and spends considerable resources of its own, various state organization (Employment services agency, Labour offices, Czech Invest and many more) serve rather like providers ("re-distributors") of resources for other organizations, than active subjects of interventions that would use the financial resources for their own activities and projects. The same often applies at the level of regions.
- 5) Another aspect that demonstrates the gap between national programmes / policies and SF programmes is the fact the Czech Republic has not yet used the existing national programmes and their financial resources to stimulate SF projects and strengthen the funding of EU programmes. On the contrary, in some cases the Czech programmes and their funding seem to compete with SF programmes, instead of convenient combination. The existing programmes in similar areas of intervention (e.g. active employment policy) finance similar activities separately, and to some extent independently on each other.

3.3. System recommendations for future periods

System change – also a subject of 5/04 project "...distribution of EU development programmes and Czech development programmes..." – is a fundamental and necessary precondition of major increase of absorption capacity of the CR in the next programming period, and the precondition of effectiveness of large part of the measures and recommendations proposed in the following text.

In the next programming period, when there will be much more resources available, it will be apparently impossible to ensure national co-financing of SF programmes and to withdraw the resources of structural assistance sufficiently without consistent fusing of national financial mechanisms and SF programmes.

This process requires:

- (i) re-direction of the existing national financial resources to the funding of ESC policy operations,
- (ii) programming and implementation fusing / unification of the national and SF programmes,
- (iii) extensive change of status of organizations responsible for the implementation of national (state and regional) public interventions and SF interventions.

At present the institutions (including regions) that implement SF programmes and the national programmes are usually understood as mediators for the distribution of financial resources for other organizations (non-state, non-profit and private). At the same time the demand of beneficiaries of the assistance (third organizations), or requirements of target groups the assistance should help, are known to these mediators only indirectly.

State and regional organizations implementing the programmes will have to take over much more active role in the next period when planning specific and targeted public interventions, but they will have to take over direct responsibility for the implementation of these interventions, for the achievement of set results and for the solution of problems to be solved by the relevant programmes.

This will require strengthened capacity of the implementation institutions, which can be achieved by both improving personnel and financial resources, and re-organization of the existing institutions, combining and connecting the parallel structures for the implementation of national and SF programmes / projects. The strengthening of the implementation structures in a sense of direct implementation of public interventions will also require the change of their approach towards the development activities (for example management methods, development goals), and finally certain "cultural" change of understanding their status of assistance mediators to executive bodies (state, regional) that execute the goals approved / assigned in advance in the form of specific projects. This "cultural" change is possibly the most complicated of all the matters involved.

3.4. Conclusions and recommendations in the field of institutional environment

The conclusions and recommendations are presented in the form of charts of the following structure:

- Column **Problem / external obstacle** identifies external obstacles or problems that prevent generation of sufficient number of projects, or correctly aimed projects.
- Column **Description / causes** elaborates the obstacles, and tries to describe the causes that lead to the existence of obstacles. In some cases the consequences of external obstacles in the field of project development are mentioned.

The first two columns of the chart together represent the conclusions of the Project 3/04 "Analysis and evaluation of the external environment of RPS implementation system.

- The column Proposed measure / recommendation describes possible solutions of specific problems identified earlier and commented in the conclusions of the evaluation. The recommendations are of two types:
 - (i) Recommendations that should be implemented in a short term, with the objective to improve the withdrawal already in the current programming period;
 - (ii) Mid- and long-term recommendations that should be implemented in order to improve the quality of projects and increase the ability of the final beneficiaries and users to develop, submit and implement projects in the next programming period.

As a result of the nature (object content) of the external obstacles described and their frequently system character it was not possible to separate short-term recommendations from the mid- and

long-term ones. Major part of the identified obstacles have effects in the current period, and will have effects in the next period, too.

In the future programming period considerably larger volume of potentially available financial resources from Structural Funds can be expected. Aside from that the new directives and aiming of ESC policy in the future period will require much bigger orientation of the programmes and projects at the achievement of results and impacts (focus on the achievement of quantifiable objectives). Due to these reasons the weight of the identified external obstacles and the problems they cause will be significantly higher in the future period.

Problem / External Obstacle	Description / Causes	Proposed Measure/Recommendation
<p>Lack of interest in some types of projects new in the CR (e.g. alternative fuels OP RVMZ – sub measure 2.1.5., Clusters in OPIE – measure 1.4. combined transport in OPI – measure 2.2. etc...)</p>	<p>There are several combined causes, it is difficult to assess their weight, which is different in various measures:</p> <ul style="list-style-type: none"> - competition of national (state and regional) programmes with simpler rules and easier access to finances - regarding the projects of private and small promoters the support is rather limited (de minimis rule) compared to the size of projects, and to get the support is complicated; - (combined transport), which means the potential promoters have no reason to develop projects, as they have (substantiated) doubts about the effects of their outputs / results - legislative barriers – e.g. worries of the cluster participants about suspicion of a cartel agreement, or monopoly position in local market 	<p><u>Measure 1.:</u></p> <p>Fuse / unify the national (state and regional) support programmes in the next programming period with EU programmes, and use EU programmes to co-finance the national programmes;</p> <p><u>Measure 2.:</u></p> <p>For the activities, where the CR is interested (e.g. alternative fuels), but there is just limited demand among the potential promoters, enable the funding of preparatory / research works and consultancy services (support measures) within the (sub)measure that would make easier project development in the fields / activities of no experience</p> <p><u>Measure 3.:</u></p> <p>For the current period develop and use the national programmes for preparatory activities that will stimulate generation of new projects in SF programmes, where there is insufficient demand.</p> <p><u>Measure 4.:</u></p> <p>Change the legislative environment in the CR in order to stimulate the demand of target groups or clients of services.</p>

Problem / External Obstacle	Description / Causes	Proposed Measure/Recommendation
<p>Insufficient demand of target groups for services provided as a part of projects (outputs and results), namely in the Human resources development – ESF interventions</p> <p>"Social need" to implement certain activities (create new jobs, inclusion of people in the labour market, updated syllabus and the like) is not always backed by actual demand of the target groups supposed to use the new services</p>	<p>The problem leads to:</p> <ul style="list-style-type: none"> - the potential promoters have no reason to develop projects (that depend on the demand of target groups), as they have (substantiated) doubts about the effects of their outputs / results (grant scheme projects) - projects can be developed and submitted, but it will be difficult to get clients (and achieve results – e.g. training and placement of adequate number of the unemployed); <p>The discord between "social need" and actual demand is due to both lack of experience or trust of target groups, and the legislative conditions in a wider sense</p> <ul style="list-style-type: none"> - High price of work and employment conditions prevent the creation of jobs for the applicants - at the same time social welfare network leads to lack of interest in work and the ways to find it - Lack of trust of the employers in Labour offices (as they are the inspection body at the same time) limits their cooperation - support of new jobs is easier and more advantageous within the national programmes than ESF 	<p><u>Measure 1.:</u></p> <p>Change the legislative environment in the CR in order to stimulate the demand of target groups or clients of services.</p> <p><u>Measure 2.:</u></p> <p>Fuse / unify the national (state and regional) support programmes (active employment policy) in the next programming period with EU programmes, and use EU programmes to co-finance the national programmes;</p> <p><u>Measure 3.:</u></p> <p>When developing new public interventions for 2007-2013 consider thoroughly actual demand of the target groups</p> <p>Identify relevant public interventions in the new programmes and aim them in accordance with the demand</p> <p>Lack of</p>

Problem / External Obstacle	Description / Causes	Proposed Measure/Recommendation
<p>Difficult establishment of cooperation between public and private entities</p> <p>Success of many projects requires the cooperation between public entities (public administration) and private companies. These are for instance alternative fuels OP RVMZ – sub measure 2.1.5., New tourism products in priority 4 JROP etc...</p>	<p>Cooperation of a public and private subject is formally possible in the case of joint financing of an investment, but very difficult to establish joint operation of the investment.</p> <p>The measure sets different levels of support for public and private entities, therefore it is necessary to separate the private and public parts of the project; joint funding under these circumstances is at least difficult.</p>	<p><u>Measure 1.:</u></p> <p>Complete the law on public-private partnerships that will facilitate the cooperation of public and private entities on joint implementation of projects and namely joint operation of the implemented investments, set rights and obligations of the partners, and govern their position among other organizations in the CR.</p> <p><u>Measure 2.:</u></p> <p>For new public interventions consider the need and possibility of the public-private cooperation; design the public interventions in new programmes in order to provide for and support the public-private cooperation;</p> <p>develop new measures, grant schemes, integrated projects etc. for the new period with consideration of public-private cooperation</p>

Problem / External Obstacle	Description / Causes	Proposed Measure/Recommendation
<p>Lack of capacity and offer of consultancy services, various quality of the services</p> <p>There are consultancy services, though of various quality and availability in regions, often understood too narrowly – as a service of filling in the application and preparing the project documentation, without any responsibility regarding the project implementation.</p> <p>There is lack of good quality consultancy services in certain areas or industries, the offer is limited and the customer (applicants) have only limited choice.</p>	<p>The guidance and consultancy services provided by public organizations (or public-like organizations, such as regional development agencies) and private companies are important for the generation and development of projects for several reasons:</p> <ul style="list-style-type: none"> - insufficient capacity (see other problem issues) of many project promoters, - due to the fact SF interventions are scattered among large number of tiny applicants in the current period - many kinds of public interventions are new and the potential applicants have no experience with the preparation; <p>The use of consultancy services and the support of their availability proved to be a stimulus of new project generation.</p>	<p><u>Measure 1.:</u></p> <p>Make use of the existing national programmes (state/regional) in order to strengthen the capacity of small promoters through the assistance aimed at external consultancy services (well-tried process of project generation support in small municipalities within JROP).</p> <p>Ensure financial resources and adequate programmes of assistance for small applicants in 2006.</p> <p><u>Measure 2.:</u></p> <p>Enable in a limited extent financing of consultancy services directly within SF projects in the next programming period – include the services in measures or other public interventions among eligible expenses (for instance 5-7% of the project, or specific stages of it)</p> <p>Include the required activities among the eligible expenses for the next programming period.</p> <p><u>Measure 3.:</u></p> <p>Implement the projects of improvement of expertise for the consultancy services within the technical assistance, or state programmes, or improvement of expertise for selected development actors (e.g. RDAs); consider establishing of SF consultancy certification system.</p>

Problem / External Obstacle	Description / Causes	Proposed Measure/Recommendation
<p>Lack of experts able to develop and manage SF projects to be hired (even external cooperation) as project managers</p> <p>Lack of experience of the promoters' staff – final users with project management, project development and SF requirements in general</p>	<p>Specialists are trained in schools for specific activities required when developing and managing SF projects (e.g. demand analysis, CBA, FS), but their training is on general level of the territorial development issue.</p> <p>Lack of number of trainings targeted at the project development and management skills Major problem of the promoters in the CR is at the stage of project concept and draft.</p> <p>Moreover the measure 3.3. JROP is (apparently) not completely purposeful, sometimes with formal aiming. The selection of target groups in the measure is doubtful.</p> <p>Insufficient connections among the people (of limited number) in small and bigger organizations who dispose of project skills and experience, and the people responsible for the SF issues.</p>	<p><u>Measure 1.:</u></p> <p>Extend the offer of trainings in the field of project development and management, based on the specific needs of SF projects; make use of the measure 3.3. JROP for the training of project promoters in order to provide them with the required skills by learning on real projects.</p> <p><u>Measure 2.:</u></p> <p>When developing projects (and programmes) at central and regional levels, connect the specialists in relevant fields (e.g. education or entrepreneurship) with SF specialists.</p> <p><u>Measure 3.:</u></p> <p>Make use of the measure OP HRD aimed at the modification of syllabus and expansion of offer to create and implement courses in the schools going to teach the required skills; offer the courses as a part of lifelong education and normal lessons.</p>

Problem / External Obstacle	Description / Causes	Proposed Measure/Recommendation
<p>Limited investment opportunities of regions</p> <p>It is difficult for regions to create and provide financial resources for development actions of regional importance.</p>	<p>The reasons are as follows:</p> <ul style="list-style-type: none"> - The system of funding of regions has not been stabilised yet - Own (available) income of regions is limited, though they have increased since 2005 - The powers / mission of regions force them to concentrate on the "immediate" interests (regardless of the measure concept) - Necessity to manage (and finance) the properties limits development possibilities of regions. - The regions are thus limited in their possibility to co-finance projects of both third parties in general and even their own projects – outside the direct (mandatory) powers. - The regions have limited (financial) opportunities to establish partnerships – and consequently lower willingness to initiate them. 	<p><u>Measure 1.:</u></p> <p>Strengthen the financial capacity of regions and increase the share of financial resources available to fund projects within "non-mandatory" powers of the regions;</p> <p>Amend the law on budgetary distribution of taxes</p> <p>or as an alternative</p> <p><u>Measure 2.:</u></p> <p>Assign the regions in the programming period 2007-2013 in all the programmes and measures just with the role closely related to their obligatory and direct interests, especially in the field of infrastructure, and do not require (expect) their active participation in the projects not directly related to their obligations and interests.</p>

Problem / External Obstacle	Description / Causes	Proposed Measure/Recommendation
<p>Too general development programmes and strategies (especially regional)</p> <p>Regions (and municipalities, microregions etc.) have their own development strategies, development programs and concept documents (e.g. tourism development programs, business support).</p> <p>However, the document are not systematically and consistently realized, they are often formal by nature and content.</p>	<p>Regional (and municipal) concept and development documents:</p> <ul style="list-style-type: none"> - often have no executive (implementation) part, and if they do, it is not always directly linked to the very program; - financial resources for implementation reserved only in a limited extent; - the aiming is usually too wide and strategies vague, difficult to serve as a basis for (systematic) project generation, and determination of real goals of the region (and other entities) concerning development; <p>The nature of programs and strategies very often enables public interventions, but do not pursue them; achievement of objectives and goals included in the development documents is not systematically (often at all) evaluated.</p>	<p><u>Measure 1.:</u></p> <p>Develop training and education for specialists and representatives of local government organizations at all levels in order to achieve the following for the development documents, their outline and execution:</p> <ul style="list-style-type: none"> - connection with the executive and budgetary possibilities of relevant organizations - aiming at limited number of development priorities and public interventions to be purposefully implemented, not just enabled (by the document); <p><u>Measure 2.:</u></p> <p>Concerning the national development documents and SF interventions pursue active involvement of various organizations – development actors – not just participating in the planning, especially taking over responsibilities and active role during the implementation of goals (projects, measures, activities) of the documents, i.e. participating with their personnel capacities and financial resources in the achievement of goals.</p>

3.5. Conclusions and recommendations regarding the increase of development actors' capacities

The conclusions and recommendations are again presented in the form of chart of the structure equal to the previous chapter: The description and explanation of individual columns, and the structure of conclusions and recommendations in the previous chapter applies the same way here.

Problem / External Obstacle	Description / Causes	Proposed Measure/Recommendation
<p>Lack of promoters' experience with new project types</p> <p>Many measures anticipate such project/activity types, which are new for the potential promoters, and they have little or no experience with the projects</p>	<p>The situation described leads to limited demand for these projects, or there is a trend to use the projects to finance activities within the supported areas, but in fact serving other purposes than requirement/goal of the OP measure:</p> <p>Example: Renewal of properties for agro-tourism can serve the purpose of reconstruction of the owner's assets, while the tourism aspect is just secondary; similarly the reconstruction of sports grounds for tourism purposes in villages;</p> <p>Legislative changes – e.g. amended law on public tenders – cause the project promoters to implement the activities included with delay and risk of faults, as they only begin to learn to use the new legislation; this applies namely to small municipalities and companies.</p>	<p><u>Measure 1.:</u></p> <p>Allow to finance the supporting measures within EU programmes / projects.</p> <p>Include the supporting measures in the eligible activities for the next programming period.</p> <p><u>Measure 2.:</u></p> <p>Prepare supporting training and information measures within Czech programmes for 2006 and 2007, enable financing of consultancy services in selected measures and sub measures of Ops from national resources.</p> <p><u>Measure 3.:</u></p> <p>Update the national assistance programmes for 2006 and 2007.</p>

Problem / External Obstacle	Description / Causes	Proposed Measure/Recommendation
<p>Insufficient financial capacity namely of small businesses (in most industries)</p>	<p>Small private businesses have difficulties with obtaining resources to finance their projects:</p> <ul style="list-style-type: none"> - they depend on (less available) bank loans, or own resources; low significance of other tools - there are considerable differences in the availability of financial resources among industries: <ul style="list-style-type: none"> - good availability in the processing industry; - poor availability transport, lodging, catering <p>The availability of credits is much poorer for the domestic businesses than for the foreign entities.</p> <p>The availability of credits is much poorer for the businesses in "problem areas", such as Ústecký region or Moravskoslezský region</p> <p>Concerning the character of submitted projects the level of assistance is finally insufficient for the small businesses, and the related cost too high (financial, administrative etc.).</p>	<p><u>Measure 1.:</u></p> <p>Strengthen the tools oriented especially at small businesses as a part of assistance programmes for entrepreneurs, which will facilitate their access to the financial resources; the tools should not be too demanding administratively for the businesses, at the same time they have to be demanding with regards to the achievement of measure / programme objective; the tools should not be some kind of relief for the entrepreneurs, they have to be aimed at business growth.</p> <p><u>Measure 2.:</u></p> <p>Differentiate the support of businesses by industries and regional aspects of the applicants, thus balancing current differences of availability of the financial resources.</p> <p><u>Measure 3.:</u></p> <p>Review the possibility of higher support for small businesses (e.g. up to 50 employees, or up to 20 employees), and micro-businesses (up to 10 employees).</p>

Problem / External Obstacle	Description / Causes	Proposed Measure/Recommendation
<p>Insufficient administrative capacity and lack of experience of namely the small businesses, and subsequent problem of project development and participation in programmes.</p>	<p>Small private entities usually do not have adequate personnel capacities, administrative background and experience to be able to develop (more complex) project, promote and implement them.</p> <p>It is likely that for this reason many applicants develop projects of "easier doing business" nature, and basically serve the purpose of improving conditions in the company (renewal of machines, buildings), not directly the business growth.</p> <p>Concerning the character of submitted projects the level of assistance is finally insufficient for the small businesses, and the related cost too high (administrative etc.).</p>	<p><u>Measure 1.:</u></p> <p>Design the business assistance public interventions in order to make it as simple as possible from the administrative point of view, at the same time it is necessary to:</p> <ul style="list-style-type: none"> - set strict criteria of project selection regarding their (anticipated / planned) results, - monitor the achievement of results consistently, and - use the monitoring for remedial measures. <p>Easier access to the assistance has to be balanced by higher emphasis on the achievement of its effects in the individual projects.</p> <p><u>Measure 2.:</u></p> <p>Design the public interventions in order to prefer (or clearly require) the projects that will lead to business growth; include the consultancy activities in the public interventions, which will facilitate the access to support and at the same time make it easier for public entities to aim the programmes, or select projects in industries or areas, where the highest benefits (results and impacts) can be expected.</p>

Problem / External Obstacle	Description / Causes	Proposed Measure/Recommendation
<p>Insufficient financial capacity of non-profit organizations, especially in social sphere (ESF)</p> <p>Some ESF measures and partial interventions are aimed at non-profit organizations as final users (that provide services for target groups). These organizations are usually very small, with small budgets to cover the operating expenses.</p>	<p>Participation in ESF projects represents financial burden for small non-profit organizations, even if they do not have to provide any co-financing, because they have to finance at least part of the project-related activities before they receive subsidy from state or ESF.</p> <p>Insufficient financial capacity results in very small scale of the projects promoted by these organizations, though in some cases it would be desirable to implement larger project.</p> <p>At the same time this situation results in breaking the ESF assistance into numerous small projects, administration of which is difficult for the implementing bodies.</p> <p>Non-profit organizations with a weak background can be excluded from ESF assistance altogether due to their inadequate financial capacity.</p>	<p><u>Measure 1.:</u></p> <p>Shorten the period between claim and reimbursement as much as possible in the current implementation system for non-profit organizations in order to facilitate seamless progress of the projects.</p> <p><u>Measure 2.:</u></p> <p>In the next programming period aim the assistance at the organizations with sufficient experience, background and abilities to implement bigger projects.</p> <p><u>Measure 3.:</u></p> <p>Arrange simpler financial mechanisms than those of current period for projects where desirable participation of small non-profit organizations is expected (e.g. better use of global grant tool).</p> <p><u>Measure 4.:</u></p> <p>Support the cooperation between small non-profit organizations and bigger entities in the next programming period within integrated projects through their participation in public-private partnerships.</p>

Problem / External Obstacle	Description / Causes	Proposed Measure/Recommendation
<p>Insufficient personnel capacity of namely small municipalities and non-profit organizations</p> <p>Small municipalities and non-profit organizations usually are not able to develop project and the documentation required under OP / GS on their own. (though there are exceptions)</p>	<p>To develop and implement a project is quite demanding activity considering its administration, and the small promoters often worry they will not be up to the task, or the work involved will not pay off regarding the limited amount of resources they are able to cover from their own funds.</p> <p>This applies (in general) to municipalities under 500 inhabitants – they make 60% in the CR with the population 900 thousand.</p> <p>The problem is usually (often successfully) solved by hiring external consultants (small and even bigger potential applicants). However, the availability of consultancy services in different areas varies.</p>	<p><u>Measure 1.:</u></p> <p>Make use of the existing national programmes (state/regional) in order to strengthen the capacity of small promoters through the assistance aimed at external consultancy services (well-tried process of project generation support in small municipalities within JROP).</p> <p>Ensure financial resources and adequate programmes of assistance for small applicants in 2006.</p> <p><u>Measure 2.:</u></p> <p>Develop such tools of public interventions for the next programming period within SF programmes (e.g. global grants) that will be administratively less demanding, and easily accessible for small applicants.</p> <p><u>Measure 3.:</u></p> <p>Develop such public interventions for the next programming period that will support joint projects of more entities, their cooperation on similar project, and cooperation with external partners (pPP).</p>

Problem / External Obstacle	Description / Causes	Proposed Measure/Recommendation
<p>Insufficient personnel and expert capacity of some project promoters - final beneficiaries at regional level</p> <p>Regional authorities and the assigned Labour offices (ALO) - final beneficiaries and administrators of grant schemes plus supposedly project developers do not have adequate staff, or experience, or training, or use their capacity inadequately.</p>	<p>Specialized departments / sections (ESF at ALO) can administer SF financial resources, take care of SF rules, but they rarely have sufficient personnel capacity to fully develop and manage public interventions in the field (grant schemes, projects).</p> <p>Specialized capacities and experience with the development issues in various fields of public interventions (e.g. re-training and guidance at ALO, education, tourism and businesses at regions) are based on the specialized sections, and SF depts. / divisions can't handle the issue completely.</p> <p>SF issues are often understood separately from general development issues, as if SF was just a financial mechanism without direct relation to the territorial development.</p> <p>Final beneficiaries not always use / support the cooperation of specialized SF depts and divisions at offices, thus limiting the existing capacity considerably.</p> <p>There are significant differences between the final beneficiaries, some of them oppose the extension of capacities on principle (Regional Board decrees).</p>	<p><u>Measure 1.:</u></p> <p>Strengthen the final beneficiaries regarding their capacity and expertise, and support the cooperation of their depts and sections dealing with SF matters methodologically:</p> <ul style="list-style-type: none"> - use the state aid – strengthen the institutions that implement SF programmes and projects, - within the technical assistance of operational programmes. <p><u>Measure 2.:</u></p> <p>Together with the preparations for the next programming period, provided there will be combination and convergence of national programmes and SF programmes, discuss and develop public interventions / measures, grant schemes, large project, integrated projects in order to involve the specialized sections of the final beneficiaries, and make SF sections play more administrative role.</p> <p><u>Measure 3.:</u></p> <p>In the next programming period link the public interventions to the organizations that have demonstrable capacity and willingness to implement such interventions in the required scale and quality.</p> <p>This measure is even more important in case the regions strive for the development and implementation of whole programmes (ROP)</p>

Problem / External Obstacle	Description / Causes	Proposed Measure/Recommendation
<p>Political priorities of regions and the instructions of (political) representation for the executive bodies are mostly aimed at the areas of direct powers or "mandatory" activities, mostly related to the construction and maintenance of various infrastructure (including the educational one).</p>	<p>Regions play the role of final beneficiaries and project promoters, or generally bodies responsible for public interventions, in the measures where their role is outlined by law and they have no direct obligation to act in the field. These are for example:</p> <ul style="list-style-type: none"> - support of businesses (JROP 1.1.) - Tourism development (Priority 4 JROP) - Lifelong education (3.2. OP HRD) <p>In this and other areas it depends on the approach and aims of the political representation, whether and how the region will develop public interventions. Due to limited financial resources and no direct responsibility in his field, the approach of regions varies considerably, and is not too active in general.</p> <p>For the above-mentioned reasons the regions concentrate their attention and activities in the area of "hard investments", constructions related namely to the regional properties. Other investments (business support etc.) are perceived as no-priority. There are often no resources left for this type of public investment.</p>	<p><u>Measure 2.:</u></p> <p>In the case of measures where the regions are responsible for public interventions and the measures are filled with delay or inadequately, review the possibility to provide additional, purpose-related support to the regions, or transfer the financial resources to other measures.</p> <p><u>Measure 1.:</u></p> <p>In the case it is expected from the regions they will develop public interventions in the next programming period (be it as final beneficiaries or final users) the interventions should be:</p> <ul style="list-style-type: none"> - based on their expressed mission - or accompanied by additional financial resources, - or discussed with the regional representation, and the regions should accept material and financial obligation to develop and implement such interventions. <p>This approach is very important for the development of (potential) Regional Operational Programmes (ROP).</p>

Problem / External Obstacle	Description / Causes	Proposed Measure/Recommendation
<p>Very limited financial capacity of small municipalities due to external effects – system of re-distribution of tax income and coefficients of per capita income calculation</p> <p>Almost 80% of the municipalities under 1.000 inhabitants – the budget of such municipality is some few million crowns – they have major difficulties to finance their basic obligations.</p>	<p>The municipalities in the situation of permanent lack of financial resources are anything but willing to join resources for larger actions, benefit of which would be indirect or long-term.</p> <p>This situation enables small municipalities to apply almost exclusively for grant schemes (usually JROP), and with projects too small even for this form of support – projects that do not guarantee major results, not to speak about impacts.</p> <p>Furthermore the small municipalities have quite ,limited access to the external resources.</p> <p>They are able to get money from a bank, but rarely in the volume necessary to implement larger and major investment projects.</p> <p>Small municipalities have just minimum ability to comply with the conditions of co-financing, and depend in this respect on the state (region), which can be considerably de-motivating.</p>	<p><u>Measure 1.:</u></p> <p>Initiate the possibilities of joining financial resources of small municipalities (through stimulation tools, e.g. increased national co-financing for joint projects) without necessary unification of municipalities.</p> <p><u>Measure 2.:</u></p> <p>Initiate discussion (including the information campaign on the effects of non-efficiency of fragmentation of local public resources) on this topic within the public administration, including the presentation of pilot projects that would attract the concerned representatives of small municipalities.</p>

Problem / External Obstacle	Description / Causes	Proposed Measure/Recommendation
<p>Lack of willingness or decisiveness of applicants to develop projects in case they know in advance the amount of resources for the measure is limited, and their chance to get the support low.</p>	<p>The measures small by their financial allocation are not always attractive, as the chance to succeed is low. The applicants either get support from other sources (question to what extent SF assistance is really needed), or they resign their development goal altogether.</p> <p>This problem may represent remarkably significant obstacle in the case of small applicants with limited capacity, for which the very administrative demands of SF projects are a barrier. Finally this fact may lead to an unequal access of the applicants to the support; in case the support is designed to balance the</p>	<p><u>Measure 1.:</u> Compile the "Rational decision making handbook" for applicants, which would guide the potential beneficiaries and help them decide whether to strive for support on the basis of measure type.</p> <p><u>Measure 2.:</u> Outline far more precisely the target groups in the programming documents for the next period, in the context of objectives and purpose of measures, or other intervention mechanisms.</p> <p><u>Measure 3.:</u> Link the project selection mechanism closely with the objectives of public intervention, (at least results, but the impact too) in a wider scale than just mechanical use of indicators. The purpose of this measure is to make sure the projects actually contribute to the desirable condition in the field, and are not only a mechanism of re-distribution of financial resources.</p>

	conditions of market actors, it may even go against the very sense of public intervention.	
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4. EVALUATION PROBLEMS AND OBSTACLES

4.1. Slow and delayed commencement of implementation of some measures

Delayed commencement of implementation of some measures itself is an indicator of existing problems that prevent the implementation. In this case these were namely OP HRD measures, where the first projects were selected (accessible in the monitoring system) as late as in 2nd quarter of 2005. For this reason the measures were not included in the in-depth analysis of measures performed on the basis of MSSF Central monitoring system data at the end of February 2005. At the same time it was difficult to get the information on the promoters and contact them.

Dominant reasons of delay of OP HRD measures were the following:

- Higher complexity of projects submitted to ESF, and far lesser experience of most Czech subjects (promoters, final beneficiaries) with comparably extensive "soft" non-investment projects developed for OP HRD.
- Inadequate capacity of final beneficiaries – mostly assigned Labour offices – that had to develop several projects simultaneously according to rules remarkably different from those of Active employment policy, in small project teams and without significant technical assistance for some time.
- Various capacities of the training and general delivery capacities for the projects, limited experience of the suppliers with such complex orders in many regions; this fact has delayed mainly the "public tender" projects.

Delayed commencement of ESF projects was one of the partial reasons – not the main one – of prolongation of the 3/04 Project until the end of July 2005.

4.2. Difficult access to the data and information on projects

For the purpose of evaluation it is necessary to work with detailed data on projects, on their aiming and nature, on the applicants that promote the projects. The information is of key importance for any evaluation, which is basically impossible without it. The availability of information on projects was complicated throughout the Project, and some information for the purpose of in-depth analysis was not obtained at all. Here are the causes of this situation:

- MSSF Central provides information on projects for monitoring purposes, and its standard outputs are not designed for other purposes. For the purpose of evaluation, where the relations between specific project parameters / characteristics in a larger set of projects are reviewed, the standard MSSF outputs are not suitable. However, the required evaluation outputs were obtained for the purpose on the basis of specialized requirement, and can be obtained repeatedly at present.
- The content of MSSF Central is selective, it doesn't include all data usable or necessary for the evaluation purposes. This applies namely to the information on the character / aiming of the project and its objectives. The access to the lower levels of the monitoring system was

difficult for the evaluators, tedious and in some cases (e.g. OP PP) not granted at all. In these cases the evaluators had to work only with the MSSF Central data.

On the contrary in case of JROP and OP HRD the evaluators were allowed directly into the electronic monitoring system, with limited rights of data access. However lengthy was the process of collection of the information, when each project was reviewed separately, and the data had to be manually transferred in other charts (this authorization does not allow the export of summarized data), the access to the databases enabled significant improvement of the in-depth analysis.

- The cooperation between the RPS evaluation unit and managing authorities of individual OP seems to be rather complicated and too formal. In the case of this project the fact was apparent at the stage of data collection, necessary for the evaluation.

In the next programming period the MSSF Central system - otherwise well tried in the monitoring practice according to the information and experience of the evaluators – should be supplemented with a module or tools providing for its use for the evaluation purposes.

4.3. Limited willingness of project promoters to cooperate

This evaluation project was just one of many projects implemented this year. Due to the limited number of the projects evaluated, or at least registered in the monitoring systems, in some cases the applicant were addressed by separate project teams repeatedly. The situation has been to certain extent improved by cooperation among the compilers of projects ordered by the RPS evaluation unit (MRD). However, the coordination among projects ordered by different managing authorities, has not succeeded.

Project 3/04 supposed the information from applicants would be obtained within focus groups and workshops, whereas the applicants would be invited to one place for an informal (managed) discussion. Major part of the applicants (with exceptions) do not feel any need to provide information on the difficulties of project development, and refused to participate in the focus groups, or required financial reimbursement for their participation.