

PROGRAMMING OF THE STRUCTURAL FUNDS IN THE CZECH REPUBLIC

Milan VOŠTA – Josef ABRHÁM

Abstract: After accessing the European Union the Czech Republic was given the claim to use the financial support form. In the paper the authors aim to explain the system of the EU structural funds support programming in the years 2004 – 2006. They present the list of the most frequent mistakes which were found in the project applications during 2004.

Key words: structural policy of the EU, structural funds, the Czech Republic

The expansion of the European Union by the absorption of ten new states in May 2004 was the most extensive in the history of European integration. Although the population of the EU grew by one third, its entire GDP grew by a mere 5 %. From a total number of 105 million inhabitants living in the new EU member states, 98 % of them live in regions whose per capita GDP does not reach 75% of the expanded EU (EU 25) average; and more than two thirds of them live in regions with a per capita GDP less than 50 % of the EU 25 average.

In order to achieve greater equilibrium in regional development, the EU has put into action its so-called 'structural policy' (an economic and social justice policy). This policy was defined in 1988 on the basis of the decision to put regional policy together with parts of the social and agricultural policies as a reaction to criticism of the low level of coordination between these policies.

The significance of the cohesion policies has grown dramatically, recently, especially with the addition of the Central and Eastern European states. Their significance is reflected in expenditure from the EU common budget, which come to roughly one third of total expenditures and are, after agricultural policy expenditures, the second largest. This increased emphasis on regional policy springs from the Treaty on European Union in which the boosting of economic and social cohesion is set out as a basic goal. It concerns efforts to reduce the differences in economic levels and living standards between individual EU regions and the backwardness of the most disadvantaged regions and islands, including rural regions.

The main instruments of the structural policies are the structural funds. The system of structural funds is contained in four funds:

The European Regional Development Fund (ERDF) as the basic instrument of regional policy, occupies the dominant position amongst the other financial instruments. The general aim of the ERDF is to support economic and social cohesion by the reduction of regional disparity and sharing in the renewal and development of the regions.

The European Social Fund (ESF) focuses on the fight against unemployment, development of Human Resources and support of integration to the labour market. It helps the unemployed and disadvantaged groups join in the world of work.

PaedDr. Milan VOŠTA, Ph.D.,

Vysoká škola ekonomická v Praze, Fakulta mezinárodních vztahů, Katedra světové ekonomiky, náměstí W. Churchilla 4, 130 67 Praha 3, Česká republika; e-mail: vosta@vse.cz

Ing. Josef Abrhám, Ph.D.,

Vysoká škola ekonomická v Praze, Fakulta mezinárodních vztahů, Katedra světové ekonomiky, náměstí W. Churchilla 4, 130 67 Praha 3, Česká republika; e-mail: abraham@vse.cz

The **European Agriculture Guidance and Guarantee Fund (EAGGF)** from which is included in the system of structural funds only the guidance section, which provides support to the modernisation and improvement of structures and activities in agriculture and in the countryside.

Financial Instrument for Fisheries Guidance (FIFG) has as its task to support the fisheries sector, allied processing industries and marketing for the products of the fishing industry.

In addition to the structural funds, there is the **Cohesive Fund** which helps weaker countries meet the criteria for entry to Economic and Currency Union; the so called Maastricht criteria. Aid is aimed at the area of transport infrastructure and the environment; and is provided to countries whose per capita GDP is less than 90 % of the EU average. The Cohesive fund gives aid to given states at national level, directly finances precisely defined projects and also finances „big infrastructural projects” in the areas of the environment and transport. In the matter of financing we cannot leave out mention of the covering help from the structural and Cohesive funds.

The following three **types of activities** are financed by the structural fund in the present planning period (2000-2006):

- member state initiatives (on the basis of submitted development plans and programmes in the framework of priority objectives). Objective 1 - Backward regions, Objective 2 - Structurally handicapped regions, Objective 3 - Modernisation and adaptation of educational systems and structures;
- Community initiatives (INTERREG, EQUAL, LEADER, URBAN);
- innovation measures and steps towards rendering technical assistance.

The largest share of the financial means is allocated for initiatives of those member states striving to achieve the following aims:

Objective 1 - Support for development and structural changes in backward regions.

The prerequisite for placement in Objective 1 is to have regions on the statistical level of NUTS 2, in which the value of the per capita GDP had a parity of purchasing power reached, in the last 3 years, less than 75 % of the EU average. Aid will also be granted to remote regions (French Overseas Territories, some islands and sparsely populated regions: some areas of Finland and Sweden, which originally belonged under Objective 6). Objective 1 contains 22,2 % of the population of the EU and is supported by: ERDF, ESF, EAGGF (guide section) and FIFG.

Objective 2 - Support for structurally handicapped regions. They are regions with structural problems, which can be divided into four groups: areas undergoing economic and social changes in the industrial and service sectors; especially decaying rural areas; urban areas, which got into trouble as a result of loss of economic activities and crises in those handicapped areas which were dependent on fishing.

Objective 3 - Support for the adjustment of education policies and systems, education and employment. This Objective serves as a frame of reference for all measures aimed at supporting human resources at national level, regardless of the specifics of the individual regions, especially by means of the ESF

Structural funds also finance the so-called **Community Initiative**. This is a special instrument of structural policy which solves the specific problems concerning the territory of the entire EU, complements other programmes or serves to facilitate their implementation. In the programme period 2000-2006 there were four initiatives announced, for which 10,44 billion euros were earmarked, which represents 5.35 % of the structural fund budget.

Implementation of the EU structural programmes in the Czech Republic

After the accession to the European Union is the Czech Republic eligible for drawing of financial sources from the EU structural funds. The drawing of financial sources is limited by the fulfilment of the strict conditions. The government has to prepare the administrative procedures for implementation of the EU programmes and applicants have to submit high-quality projects. In this chapter the authors try to explain the system of the implementation of the EU structural funds in the Czech Republic in the period 2004-2006 and to introduce the brief list of the most frequent mistakes in the project application submitted in the year 2004.

As we noticed above, the support from the structural funds is aimed for the achievement of the three objectives and four Community Initiatives. In the period 2004-2006 will implement the Czech Republic two Community Initiatives (Interreg and Equal) and Objectives 1, 2 and 3. The largest amount of the financial sources goes to the Objective 1, which promotes the development and structural adjustment of regions whose development is lagging behind, i.e. whose average per capita GDP is below 75% of the European Union average. In the Czech Republic reaches all regions except Prague lower GDP per capita than 75 % of the EU average and therefore are eligible for the support from the Objective 1. The Prague region reaches about 130 % of the EU average and therefore is eligible for the support from the Objective 2 and Objective 3. (See table 2)

Table 1: Regional GDP per capita – Czech regions

Region	GDP per capita (PPS), EU_15 = 100
Prague	135
Central Bohemia	50
Southwest	55
Northwest	48
Northeast	51
Southeast	53
Central Moravia	48
Moraviansilesian	50

Source: EUROSTAT

Table 2: Financial allocation of the structural funds in the Czech Republic (mil EUR)

Year	2004	2005	2006	2004 - 2006
Objective 1 (7 regions NUTS II)	339	485	629	1 454
Objective 2 (7 regions NUTS II)	23	23	34	71
Objective 3 (Prague)	19	19	20	58
Total	381	528	674	1 584

Source: www.strukturalni-fondy.cz

Table 2 indicates more than 90 % of all financial sources go to the Objective 1 and only about 8 % to the Objectives 2 and Objectives 3.

The systems of the implementation of the EU structural funds in the national states are based on the programming documents. The programming in the Czech Republic in the period 2004-2006 is different by the support from the Objective 1 and Objective 2 and 3. **The basic documents for programming within the framework of the Objective 1 are:**

- **The National development plan**
- **The Community support framework**
- **Operational programmes**

The National development plan (NDP) is the basic programming document prepared by the national authorities. In the NDP is characterized the socio-economic development of the cohesion regions and the priority axis to support from the structural funds in the following programming period (In the case of the Czech Republic - 2004-2006).

The Community Support Framework (CSF) is the result of the negotiations of the Czech Republic and the European Commission. This document, which is obligatory for the Czech Republic and also for the European Commission, constitutes the basic strategy for socio-economic development of the cohesion regions (regions eligible for support under Objective 1). CSF ensures the coordination of the EU assistance. The realization of the CSF is insured through the Operational programmes.

The Operational Programme includes concrete priorities supported from the structural funds and conditions, which the applicant has to observe. The Czech Republic has prepared for the period 2004-2006 five operational programmes: Industry and enterprise, Infrastructure, Human resources development, Agriculture and Joint regional operational programme.

The Operational programme Industry and enterprise aims at the increase of the competitiveness of Czech enterprises in the sector of industry and industrial services, especially small and medium enterprises. The OP Industry and enterprise finances following programmes: Prosperity, Reality, Training centres, Clusters, Development, Marketing, Energy, Reduction of energy and Renewable.

The OP Human resources development finances four groups of activities: employment (active employment policy – training programmes, improvement of the working skills and motivation unemployed persons), entrepreneurship (improvement of the job services and agencies providing jobs), adaptability (supporting of the flexibility, creativity and innovation) and equal opportunities (improvement of the position of the woman and other groups of disabled persons).

The Operational programme Rural development and multifunctional agriculture will contribute modernization of the technical and technological equipment of the agricultural farms, improvement of the marketing activities of the agricultural producers, improvement of the age and educational structure of the farmers, diversification of agricultural activities (agro tourism, renewable resources), protection of the environment from the agriculture production negative impact, etc.

The OP Infrastructure contributes measures targeting the two separated groups – development of the transport infrastructure and protection of the environment.

The Joint regional operational programme contributes the development of the seven cohesion regions through four measures: regional support of the business activities, regional development of infrastructure, regional development of the human resources, the development of tourism.

Programming system of the Objectives 2 and 3 is realised within the framework of the simplified procedure. There are two programming documents for the period 2004-2006:

- Single programming document for the Objectives 2
- Single programming document for the Objectives 3

List of the most frequent mistakes in the project applications submitted in the year 2004

Authors of this chapter realized during January 2004 several interviews with the representatives of the Ministry for regional development and the Ministry for industry a trade and brought together following list of the most frequent mistakes in the project applications submitted in the year 2004:

- Were not delivered all required documents
- Were not delivered all supplements of the project
- Electronic version was delivered in non desired form
- Were not delivered the technical documentation
- Problems with ownership of the property
- Insufficient sources of financing
- Incorrect financial analyse
- Were not delivered the certificate of the impacts on the environment
- Were not delivered construction allowance
- Discordance between data listed in application form and in supplements

Bibliography

- Smlouva o EU (Amsterdamská smlouva) článek 159/ex-čl. 130b
Nařízení ES 1783/1999 o Evropském fondu pro regionální rozvoj
Nařízení ES 1784 o Evropském sociálním fondu
Nařízení ES 1257/1999 o podpoře pro rozvoj venkova z Evropského zemědělského orientačního a záručního fondu
Nařízení ES 1264/1999 o zřízení Kohezního fondu
Third report on economic and social cohesion (2004), s. 186
www.strukturalni-fondy.cz/ (9.2..2005)
www.euroskop.cz/cze/ (9.2.2005)
www.europeum.org/sf/SF_formy_pomoci.asp (10.2.2005)

Programovanie štrukturálnych fondov v Českej republike

Zhrnutie

Po pristúpení do Európskej únie získala Česká republika nárok na čerpanie finančných zdrojov zo štrukturálnych fondov EU. Čerpanie podpor je však limitované splnením špecificky stanovených podmienok. Vláda musela pripraviť administratívne procedúry pre implementáciu programov EU a subjekty sú nútené predložiť radu kvalitných projektov. V tomto článku sa autori pokúsia vysvetliť systém programovania podpor zo štrukturálnych fondov EU v období 2004-2006 a predstavia stručný zoznam najčastejších chýb, ktoré boli nájdené v projektových žiadostiach v priebehu roku 2004.

Recenzovali: RNDr. Radoslav Klamár, PhD.
RNDr. Tatiana Mintálová, PhD.