



# EU News

## Monthly Journal

Number 48,  
September 2007

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Dear readers,

The month of August is traditionally a month of holidays and relaxation for the EU institutions; at the same time, crucial topics are discussed on an expert and analytical basis so that they are ready for subsequent decisions at a political level.

From the point of view of the Czech Republic, events in August show that apart from preparations for a single procedural issue, i.e. our presidency of the Council in the first half of 2009, there are no topics of higher importance than managing the preparations for using the instruments of regional policy in 2007-2013 and creating favourable conditions for adopting the euro in the Czech Republic.

Considering efficient use of instruments of the EU regional policy in the new programming period, August witnessed preparations for the implementation of individual specific programming documents: operational programmes. Although their implementation has been fragmental rather than in accordance with a single coordinated model, common features of this preparatory stage are creation of an efficient information system for potential applicants, even regional coverage throughout the Czech Republic, optimisation of the assessment system of the submitted projects etc.

Although the National Strategic Reference Framework for the Czech Republic was approved only when the majority of the other Member States had already completed this procedure, there are still four Member States (Belgium, Finland, Latvia and Luxembourg) for whom the key document was not approved by the beginning of September. Compared internationally, the current situation of adopting individual OPs could be mentioned; a new star appeared in August – Hungary, with 13 OPs already approved, i.e. an overwhelming majority of the OPs prepared for this country. The Czech Republic ranks among the group of 14 Member States for whom not a single OP has been approved.

There was an urgent issue in August in terms of complying with the prerequisites for the adoption of the euro. Our path to the adoption of the euro has for a long time been potentially hindered by the fiscal discipline shown in the indicator of public budget deficit to GDP. Viewed through the lens of the Maastricht convergence criteria, adopting a fiscal reform concept along with finishing important internal homework should contribute to making our journey smoother than before.

Among other topics we could mention the publication of other analytical and strategic materials regarding energy and environmental topics or the indication of further political discussions on the arrangement of the EU institutions and their financial framework. For more information on the formal structure of the EU see the publication of the Commission on the functioning of the EU: [http://ec.europa.eu/publications/booklets/eu\\_glance/68/index\\_en.htm](http://ec.europa.eu/publications/booklets/eu_glance/68/index_en.htm).

With wishes for a pleasant beginning to the Indian summer, which is traditionally hot or even sultry in terms of integration activities.

Petr Zahradník

In cooperation with the Czech National Bank the government prepared an update of the Euro Area Accession Treaty for the Czech Republic. Compared to its original version from 2003, this version does not state any anticipated date for replacing the Czech crown with the euro. In the first half of 2006 the Czech Republic remained in the position of a clear recipient from the EU budget. We have received CZK 2.1 billion more from the common EU budget than we paid in.

## ECONOMY AND EURO

### Government adopted the Czech Republic's updated Euro Area Accession Strategy

By the end of August, the Czech government adopted an updated **Euro Area Accession Strategy for the Czech Republic**. The document was prepared in cooperation with the Czech National Bank.

Compared to the original version of the Strategy from 2003, which anticipated the adoption of the Euro for 2009 to 2010, the updated Strategy **does not state any fixed target date**. The government explains that any deadline for the adoption of the Euro defined at present could not be guaranteed. Prime Minister Mirek Topolánek however said that the anticipated deadline for adopting the Euro in 2012 could be met.

A large part of the strategy focuses on evaluation of the Maastricht criteria as they are the required preconditions for our accession to the Euro-zone. From this point of view the **main obstacle to the adoption of the Euro is the existence of an excessive deficit of public finance** exceeding 3 % of GDP, which means non-fulfilment of the short term fiscal Maastricht criterion. The long-term part of the fiscal criterion – to keep the public debt under the limit of 60 % GDP – is complied with, as well as the pricing and interest Maastricht criteria. Compliance with the exchange rate criterion cannot be assessed because the crown remains has not been fixed to the Euro in the ERM II mechanism.

The strategy correctly mentions that in order to make use of the advantages related to the adoption of the Euro in the Czech Republic it is necessary to **reach a high level of economic convergence, cohesion and adjustment of the Czech economy to the Euro-zone**. Following the loss of an independent monetary policy, the adjustability of the economy and its ability to quickly adjust to economic shocks will be decisive to maintain proper performance of the Czech economy. The strategy contains also strong criticism of the unsatisfactory state of the public finances.

This should improve in the future: the updated strategy anticipates the **reduction of the public finance deficit down to 1 % GDP by 2012**.

The strategy should not remain a static document, which was updated after four years for the first time; it should be **discussed and reviewed annually**.

We believe that not stating the deadline for the adoption of the Euro in the Strategy is a mistake. On one hand, defining the deadline would strongly motivate the state bodies to get

ready for the Euro, to comply with the Maastricht criteria and to organize the public finances. On the other hand, a **binding deadline is crucial for the general public and especially for the corporate environment** as they need to know the deadline for their medium as well as long term planning.

[http://www.mfcr.cz/cps/rde/xchg/mfcr/hs.xsl/eu\\_strategie\\_pri\\_stoupeni\\_33764.html](http://www.mfcr.cz/cps/rde/xchg/mfcr/hs.xsl/eu_strategie_pri_stoupeni_33764.html)

#### Maastricht's convergence criteria:

##### Price criterion

It requires the achievement of a high degree of price stability; this will be apparent from a rate of inflation which is close to that of, at most, the three best performing Member States in terms of price stability.

It means that a Member State has a price performance that is sustainable and an average rate of inflation, observed over a period of one year before the examination, that does not exceed by more than 1½ percentage points that of, at most, the three best performing Member States in terms of price stability.

##### Fiscal criterion

It requires the sustainability of the government financial position:

- the ratio of the planned or actual government deficit to GDP does not exceed a reference value 3% unless either the ratio has declined substantially and continuously and reached a level that comes close to the reference value; or the excess over the reference value is only exceptional and temporary and the ratio remains close to the reference value;
- the ratio of government debt to GDP does not exceed a reference value 60% unless the ratio is sufficiently diminishing and approaching the reference value at a satisfactory pace.

##### Exchange rate criterion

It requires the observance of the normal fluctuation margins provided for by the exchange-rate mechanism of the European Monetary System (ERM II), for at least two years, without devaluing against the currency of any other Member State.

##### Interest rate criterion

It requires that, observed over a period of one year before the examination, a Member State has had an average nominal long-term interest rate that does not exceed by more than 2 percentage points that of, at most, the three best performing Member States in terms of price stability.

## BUDGET

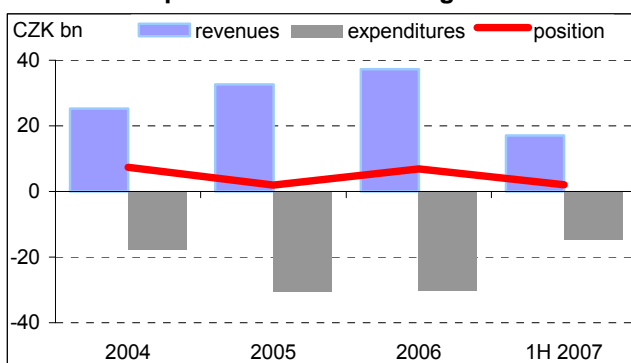
### Czech Republic remains net recipient of EU funds again in the first half of 2007

According to the information of the Ministry of Finance, the Czech Republic was a **net recipient of the European Union** in the first half this year. For the given period, it received 2.1 billion crowns more from the common European budget than it paid. The situation in the first half of this year is comparable to the same period last year.

The positive balance results in particular from the **income from the Common Agricultural Policy** – direct payments for the preceding year are paid in the first quarter of the following year (the Czech Republic received CZK 9 billion from this source). The Czech Republic received a further CZK 3 billion (i.e. € 102.7 million) for the support of **rural development**. CZK 3.3 billion (i.e. € 118.6 million) was received from the **structural funds and from the Cohesion Fund** in the first half this year. These are continuous payments to programmes and projects from allocations for 2004-2006.

The balance of the net position may be improved by the **subsidies from direct community programmes**. Those subsidies are allocated directly from Brussels; the allocations are not intended for individual Member States – applicants from all countries may apply. The Commission provides reports on the allocations in terms of each country with a delay, therefore that information is not available yet.

The CR's net position to the EU budget in CZK bn.



Source: MF CR

From the accession of the Czech Republic to the EU in May 2004 until the end of June 2007, we paid CZK 94 billion to the common budget while we received CZK 112.3 billion; our **net position is CZK 18.3 billion so far**.

EU membership provides much more important benefits (in particular access to the single internal market, cultivation of legal environment by (West-)European legislation and better credibility of the Czech Republic for foreign investors) than receiving more funds from the EU budget than what we paid. We should also admit that it is likely that we will not rank among the underdeveloped Member States by 2013 and **we will only be net contributors to the EU budget**. Until then, however, our positive net position should further increase.

[http://www.mfcr.cz/cps/rde/xchg/mfcr/hs.xsl/tiskove\\_zpravy\\_33496.html?year=2007](http://www.mfcr.cz/cps/rde/xchg/mfcr/hs.xsl/tiskove_zpravy_33496.html?year=2007)

## FOREIGN TRADE

### Commission proposes to prolong duties on energy-saving light bulbs from China

With the aim of preserving the protection of EU manufacturers against competition from China, the European Commission proposed to **prolong the import duty on energy-saving light bulbs from China** for one more year. According to the announcement, EU companies need more time to adjust to the new situation on the market.

Commissioner for industry Günter Verheugen carried his point over the intentions of Commissioner for trade Peter Mandelson, who recommended removing the duties. Verheugen, who originally requested that the duties be prolonged for another two years, argued that it was necessary to **protect the EU market against imports from China**, which are imported for prices lower than the costs. This protectionist measure will be the most favourable for the leading EU manufacturer of energy-saving light bulbs, Osram in Germany.

Import duty on energy-saving light bulbs from China was introduced as early as in 2001 and reached up to 66 %.

The protectionist efforts of the European Commission in this case are in **conflict with its struggle against global warming and its energy policy** focused on energy savings and increase of energy efficiency. Apart from the environment, the decision is also disadvantageous for European consumers as lower prices could be reached if the duties were removed.

The proposal will now be **presented to the Member States ministers** whose decision will show whether the EU takes the struggle against climate changes and liberalisation of world trade seriously enough.

[http://ec.europa.eu/trade/issues/respectrules/anti\\_dumping/pr290807\\_en.htm](http://ec.europa.eu/trade/issues/respectrules/anti_dumping/pr290807_en.htm)





# Events

Lack of qualified staff in Germany and Austria made their politicians decide to open their labour markets for selected professions for workers from the new Member States as soon as this autumn. According to the Accession Treaty, they are entitled to limit the access to their domestic labour markets until 2011. The statistics of the Ministry for Regional Development show that Czech entities managed to use over CZK 20 billion from the EU structural funds since our accession to the EU in May 2004.

## EMPLOYMENT AND SOCIAL POLICY

### Germany and Austria to partially open their labour markets

Lack of a qualified labour force will make **Germany and Austria partially open their labour markets** for citizens of the new EU Member States. So far, a work permit is required to enter the labour market in both the states. Such irregularity in terms of the non-barrier single labour market of the European Union was arranged in the Accession Treaty regulating the conditions of the accession of the new Member States.

The Accession Treaty enabled preservation of the barriers protecting their labour markets until 2011. Two years after the enlargement, in 2006, most states abolished those barriers as unjustified. They were however preserved in Germany and Austria and their politicians declared the intention to make them last for the **maximum allowed seven-year period**. This has started to change.

Chancellor Angela Merkel said that Germany **will open its labour market for qualified staff from the new Member States** this autumn. From 1 November, it will be easier for electrical and mechanical engineers to enter Germany.

Austrian Prime Minister Alfred Gusenbauer plans a similar initiative, as his team is preparing a **list of professions that are lacking in Austria** and that will be allowed to be practised by professionals from Central and Eastern Europe.

Germany and Austria have started realizing that in the current global economy and more intense world competition the measures for **labour market protection are counter-productive in the end**. We do not believe that many Czech experts would react positively to this offer and leave to work in Germany and Austria in large numbers. Those interested in working abroad have already used the opportunities of open labour markets in the United Kingdom, Ireland, Sweden, the Netherlands and other West European states.

[http://www.bundesregierung.de/nn\\_1264/Content/DE/Artikel/2007/08/2007-08-24-grundlagen-aufschwung-staerken.html](http://www.bundesregierung.de/nn_1264/Content/DE/Artikel/2007/08/2007-08-24-grundlagen-aufschwung-staerken.html)

## REGIONAL POLICY

### Czech Republic used euro 20.5 billion from the EU funds by the end of June 2007

By the end of June this year, **Czech entities managed to use CZK 20.5 billion** from the EU structural funds. This was announced by the Ministry for Regional Development responsible for coordination of the EU structural and cohesion policy in the Czech Republic. Rather than “using”,

the number represents the overall volume of realised expenses of projects for which applications for subsidy payment have already been filed. This represents nearly half of the allocation for 2004-2006 in the amount of euro 45.8 billion. According to the N+2 rule, we may complete the use by the end of 2008.

An important indicator of implementation of the structural funds programmes is the ratio between resources under contracts or decisions and the given three years' allocation. By 30 June 2007, the volume of resources from structural funds under contracts or decisions as a whole reached CZK 46.2 billion, i.e. **100 % of allocations for 2004-2006**. There is a similar situation with the Cohesion Fund, where the whole allocation has also already been covered by arranged contracts for the provision of subsidies.

This enables maximum use of resources from the structural funds and the Cohesion Fund in the first EU programming period in which the Czech Republic took part. It would however be naïve to believe that we will not refund any resources and use the whole 100 % of the allocation. This has not happened in the past. This number is likely to be reduced by 10-25 percent. **Entering into contracts or deciding to provide subsidies does not mean the end of the project cycle**. The applicants will have to evidence that they comply with the conditions stated in the contracts/decisions and successfully complete their projects; otherwise they will be required to refund the provided subsidies. For some it may be difficult to meet the evaluation criteria they undertook in their applications for subsidies.

[http://www.mmr.cz/upload/files/tiskove\\_zpravy/070814\\_Tiskova\\_informace\\_o\\_OP\\_a\\_cerpani\\_ze\\_SF.pdf](http://www.mmr.cz/upload/files/tiskove_zpravy/070814_Tiskova_informace_o_OP_a_cerpani_ze_SF.pdf)

### State of drawing on EU funds until June 2006

Programme	Total allocation	Covered by contract	Realised expenses	Required from EC
JROP	12.8	13.8	6.8	6.4
HRDOP	9.0	9.5	1.5	2.8
IEOP	7.4	7.4	3.0	3.0
IOP	6.9	5.8	4.2	3.6
RDMAOP	4.8	5.1	3.1	3.0
SPD 2	2.0	1.6	0.9+	0.9
SPD 3	1.6	1.6	0.5	0.7
Interreq	0.5	0.5	0.2	0.3
Equal	0.9	0.9	0.3	0.4
Initiatives	1.3	1.4	0.6	0.7
<b>Total SF</b>	<b>45.8</b>	<b>46.2</b>	<b>20.5</b>	<b>21.0</b>
<b>Total CF</b>	<b>36.9</b>	<b>3.69</b>	<b>16.2</b>	<b>16.2</b>

Source: MRD CR, SF = structural funds, CF = Cohesion fund



## Events

According to the European Commission, a majority of mobile phone operators have already started offering the Eurotariff, which defines the maximum costs for mobile phone calls from abroad. The current turbulence in the world financial markets was also discussed in the European Parliament in a public hearing on this issue. The hearing will continue on 11 September, when the MEPs have invited the president of the European Central Bank Jean-Claude Trichet.

### 1 AUGUST

Commission publishes prospects for agricultural markets and income 2007-2014:  
[http://ec.europa.eu/agriculture/publi/caprep/prospects2007a/index\\_en.htm](http://ec.europa.eu/agriculture/publi/caprep/prospects2007a/index_en.htm)

### 2 AUGUST

Economic Paper - Quantitative assessment of Structural Reforms: Modelling the Lisbon Strategy:  
[http://ec.europa.eu/economy\\_finance/publications/economic\\_papers/2007/economicpapers282\\_en.htm](http://ec.europa.eu/economy_finance/publications/economic_papers/2007/economicpapers282_en.htm)

Avian influenza virus outbreaks in the EU in 2007:  
[http://ec.europa.eu/food/animal/diseases/controlmeasures/avian/h5n1\\_chronology\\_en.htm](http://ec.europa.eu/food/animal/diseases/controlmeasures/avian/h5n1_chronology_en.htm)

### 3 AUGUST

Roaming - most mobile operators comply with the law, but a few "black sheep" still jeopardise consumer benefits:  
[http://ec.europa.eu/information\\_society/newsroom/cf/itemdetail.cfm?item\\_id=3553](http://ec.europa.eu/information_society/newsroom/cf/itemdetail.cfm?item_id=3553)

### 6 AUGUST

Oil Stock Situation:  
[http://ec.europa.eu/energy/oil/stocks/index\\_en.htm](http://ec.europa.eu/energy/oil/stocks/index_en.htm)

### 7 AUGUST

Europol: Bulgaria and Romania join Europol:  
<http://www.europol.europa.eu/index.asp?page=news&news=pr070802.htm>

### 8 AUGUST

Research: EUREKA plays key role in KERO aviation motor project: [http://ec.europa.eu/research/infocentre/article\\_en.cfm?id=/research/headlines/news/article\\_07\\_08\\_10\\_en.html&item=Infocentre&artid=4853](http://ec.europa.eu/research/infocentre/article_en.cfm?id=/research/headlines/news/article_07_08_10_en.html&item=Infocentre&artid=4853)

### 9 AUGUST

From climate change to the fight against terrorism:  
[http://www.europarl.europa.eu/news/public/focus\\_page/008-8911-218-08-32-901-20070706FCS08910-06-08-2007-2007/default\\_en.htm](http://www.europarl.europa.eu/news/public/focus_page/008-8911-218-08-32-901-20070706FCS08910-06-08-2007-2007/default_en.htm)

### 10 AUGUST

The European Consumer Centres Network - List of centres updated: [http://ec.europa.eu/consumers/redress/ecc\\_network/index\\_en.htm](http://ec.europa.eu/consumers/redress/ecc_network/index_en.htm)

### 13 AUGUST

Health-EU launches e-newsletter :  
[http://ec.europa.eu/health-eu/newsletter\\_en.htm](http://ec.europa.eu/health-eu/newsletter_en.htm)

### 14 AUGUST

European football under the spotlight:  
[http://www.europarl.europa.eu/news/public/focus\\_page/041-4539-087-03-13-906-20070323FCS04520-28-03-2007-2007/default\\_en.htm](http://www.europarl.europa.eu/news/public/focus_page/041-4539-087-03-13-906-20070323FCS04520-28-03-2007-2007/default_en.htm)

### 16 AUGUST

EU launches new €1.5 million project to help curb money laundering: [http://www.ear.europa.eu/publications/main/press\\_release\\_mac\\_20070809.htm](http://www.ear.europa.eu/publications/main/press_release_mac_20070809.htm)

### 17 AUGUST

New publication: "Concentrating solar power – From research to implementation":  
[http://ec.europa.eu/dgs/energy\\_transport/publication/energy\\_research\\_en.htm](http://ec.europa.eu/dgs/energy_transport/publication/energy_research_en.htm)

### 20 AUGUST

Package Travel - Commission Working Document :  
[http://ec.europa.eu/consumers/cons\\_int/safe\\_shop/package/index\\_en.htm](http://ec.europa.eu/consumers/cons_int/safe_shop/package/index_en.htm)

### 21 AUGUST

Cohesion policy 2007-2013: the Commission adopts the strategy and priorities defined by the UK, Estonia and SR:  
[http://ec.europa.eu/regional\\_policy/newsroom/index\\_en.htm](http://ec.europa.eu/regional_policy/newsroom/index_en.htm)

### 22 AUGUST

Air Transport - Observatory of the Air Transport Market:  
[http://ec.europa.eu/transport/air\\_portal/observatory/index\\_en.htm](http://ec.europa.eu/transport/air_portal/observatory/index_en.htm)

### 23 AUGUST

All mobile operators have informed of their new Eurotariffs:  
[http://ec.europa.eu/information\\_society/newsroom/cf/itemdetail.cfm?item\\_id=3576](http://ec.europa.eu/information_society/newsroom/cf/itemdetail.cfm?item_id=3576)

### 24 AUGUST

Air Passenger Rights:  
[http://ec.europa.eu/transport/air\\_portal/passenger\\_rights/information\\_en.htm](http://ec.europa.eu/transport/air_portal/passenger_rights/information_en.htm)

### 27 AUGUST

Regional Policy: Working Together on European Neighbourhood Policy:  
[http://ec.europa.eu/regional\\_policy/newsroom/index\\_en.htm](http://ec.europa.eu/regional_policy/newsroom/index_en.htm)

### 31 AUGUST

MEPs look for lessons from turbulence on world's money markets: [http://www.europarl.europa.eu/news/public/story\\_page/042-9824-239-08-35-907-20070823STO09819-2007-27-08-2007/default\\_en.htm](http://www.europarl.europa.eu/news/public/story_page/042-9824-239-08-35-907-20070823STO09819-2007-27-08-2007/default_en.htm)



After the holidays in August, the top EU bodies return to their usual working pace. Supported by official and unofficial Councils of the EU of various structures an intergovernmental conference has been held with the aim of preparing the Reform Treaty within the limits agreed at the June European Council. The Treaty is intended to be an alternative to the previously considered Treaty establishing a Constitution for Europe, which was rejected.

### Meeting of the key EU institutions

<b>31.8.-2.9.2007</b>	<b>Lisboa, Portugal</b>
- Informal Meeting of Environment Ministers	
<b>3.-6.9.2007</b>	<b>Strasbourg, France</b>
- EP Plenary	
<b>7.-8.9.2007</b>	<b>Viana do Castelo, Portugal</b>
- Informal Meeting of Foreign Affairs Ministers	
<b>14.-15.9.2007</b>	<b>Porto, Portugal</b>
- Informal Ministerial Meeting ECOFIN	
<b>16.-18.9.2007</b>	<b>Porto, Portugal</b>
- Informal Meeting of Agriculture Ministers	
<b>18. 9. 2007</b>	<b>Brussels, Belgium</b>
- Justice and Home Affairs Council	
<b>21.-22.9.2007</b>	<b>Funchal, Madeira</b>
- Informal Meeting of Ministers for Development	
<b>27.-28.9.2007</b>	<b>Brussels, Belgium</b>
- Competitiveness Council	
<b>28.-29.9.2007</b>	<b>Évora, Portugal</b>
- Informal Meeting of Defence Ministers	

### Public consultation on EU legislation

<b>Topic of the consultation</b>	<b>Organiser</b>	<b>Deadline</b>
<a href="#">Priorities for Czech presidency in agriculture area</a>	MZ CR	15.9.2007
<a href="#">Better regulation of pharmaceuticals</a>	DG ENTR	21.9.2007
<a href="#">Sustainable Industrial Policy</a>	DG ENTR	23.9.2007
<a href="#">Reorganisation and winding-up of credit institutions</a>	DG MARKT	30.9.2007
<a href="#">The future of pharmaceuticals for human use in Europe</a>	DG ENTR	12.10.2007



## Main topic

By the end of June, the European Commission officially adopted the key document related to the implementation of the EU policy in the Czech Republic – the National Strategic Reference Framework. It describes the strategic targets, the manner of management and coordination of the policy in the Czech Republic, introduces the system of financial flows of the EU funds in the Czech Republic, and defines individual operational programmes which facilitate the flow of monies from the funds to the end recipients.

# THE NATIONAL STRATEGIC REFERENCE FRAMEWORK OF THE CZECH REPUBLIC

The National Strategic Reference Framework is based on the convergence of the two key documents:

- **The Community Strategic Guidelines** – the leading strategic document in terms of implementation of economic and social cohesion policy at the EU level; it defines the key priorities of the policy in the new programming period of 2007-2013.
- **The Czech Republic National Development Plan** – describes the key development problems and strategy for the development in the Czech Republic for the period of 2007-2013.

## THE NSRF STRUCTURE

Apart from an introduction that describes the preparation of the document and puts an emphasis on the **partnership principle** (the involvement of interested parties' representatives), the National Strategic Reference Framework comprises 15 chapters.

### 1. The Czech Republic's position within the European Union

This chapter briefly and concisely mentions the **economic and political position of the Czech Republic within the European Union** and the key milestones of our development since 1989.

### 2. Development of the economy of the Czech Republic within the EU context

This chapter outlines the basic characteristic of the Czech Republic's economic development in relation to the European Union focusing on:

- **Structure of the economy,**
- **Foreign direct investments, small and medium-sized enterprises** and export potential,
- **Challenges of the economy of the Czech Republic** – explicitly mentions the use of monies from the EU funds, the adoption of the Euro in the future and the level of prices and wage costs which are lower in comparison to the EU average,
- **Barriers to growth in the economy of the Czech Republic** – emphasizes e.g. poor law enforcement, poor

efficiency of public administration, lack of adequate infrastructure or regional disparities.

### 3. Socio-economic analysis

As indicated in its title, this chapter provides a rough analysis of the socio-economic situation in the Czech Republic in the following spheres:

- **Enterprise** – mentions the impact of foreign direct investments on the entrepreneurial sector, the important role of small and medium-sized enterprises or the current need to support innovations in entrepreneurial activities.
- **Research and development and innovation** – deals with quantification of R&D expenditure compared to the GDP and compares it with the world, the insufficient share of private expenses or the infrastructure for V&V&I.
- **Demographic trends and the health of the population** – points out the demographic decline, the ageing of the population and its negative impact on public finance, emphasizes the trends of international migration.
- **Education** – the fact that very few citizens have only completed primary education is the traditional strength of the Czech population; its weakness on the other hand is a low representation of university graduates in the population and the dissonance between labour market demand and the supply of study disciplines.
- **Labour market situation** – deals with the structure of employment in terms of age, sector and gender as well as the structure and rate of unemployment, regional disparities or long-term unemployment.
- **Information society** – describes the state of information society in the Czech Republic, the penetration of high-speed internet access, the offer of electronic services of private as well as public administration and the regulatory framework
- **Transport and transport infrastructure** – analyses the level and density of transport networks in terms of division on road, railway, air and water transport.
- **Public transport and availability of transport** – focuses on the declining share of public to individual transport and mentions the potential of integrated transport systems.
- **Environmental components** – focuses on the development in past and on the current ecological burden,





## Main topic

lists the key negative factors and briefly comments on the development in the category of water, air, waste or noise.

- **Energy conservation** – criticizes the high level of energy consumption and low use of renewable energy sources in industry and outlines the State Energy Conception until 2030.
- **The Kyoto obligation** – the Czech Republic meets the Kyoto obligation with sufficient reserve.
- **Environmental and technological risks** – presents the enumeration of risks such as natural disasters, industrial accidents and emergency leakages of hazardous substances, and the risk elimination activities.
- **Tourism** – analyses the importance of tourism for GDP and employment, and indicates the potential of tourism and the barriers preventing its optimal use.
- **Culture** – similarly to tourism, this chapter deals with the potential of culture in the Czech Republic and the reasons for its insufficient use.
- **Public administration** – compares the level and quality of public administration in the Czech Republic and the EU Member States (we are the last but one of them), and lists its current key problems.

### 4. Regional development

This chapter lists the **major agglomerations in the Czech Republic**, the structure and type of regional seats according to their size and importance, or the main development centres. The definition and description of rural areas is outlined in an individual section.

For separate regions, their **various socio-economic characteristics** are described; peripheral regions and regions with focused state support are mentioned explicitly.

Finally, the main causes underlying the regional disparities are analysed and summarized, and accordingly the regions (**NUTS 2**) are grouped as follows:

- **Regions undergoing rapid development** – the Capital City of Prague.
- **Regions undergoing development** – South-West and Central Bohemia.
- **Regions having low growth dynamics** – South-East and North-East.
- **Regions lagging behind** – Central Moravia.
- **Regions on the decline** – Moravia-Silesia and the North-West.

### NUTS statistic units

The **NUTS** units of territorial statistics (La Nomenclature des Unités Territoriales Statistiques) were introduced by Eurostat in cooperation with other EU bodies for the needs of classifying the unified structure of regional units and for the needs of programming within the framework of the structural funds. At the EU level, the NUTS are governed by **Regulation No. 1059/2003 of the European Parliament and of the Council** from 26 May 2003 on the establishment of a common classification of territorial units for statistics (NUTS).

In the Czech Republic, the CZ-NUTS classification was introduced on 1 May 2004 (Notification No. 228/2004 Coll.) With effect from 1 January 2008, the CZ NUTS classification was re-issued in **Notification of CSO No. 201/2007 Coll.**, in accordance with Regulation No. 1059/2003 of the European Parliament and the Council (EC) and Regulation No. 105/2007 of the Commission (EC), which reflects the new alterations of units of territorial statistics of the EU Member States. The major change is the use of the **LAU** (Local Administrative Units) classification instead of NUTS 4 and NUTS 5.

At present, the classification of units of territorial statistics consists of 4 NUTS levels (NUTS 0, NUTS 1, NUTS 2, NUTS 3) and 2 LAU levels (LAU 1 and LAU 2) that represent groups of various size. The individual NUTS levels are characterised by their population and area. For the needs of providing the data, particularly for using the EU structural funds, **NUTS 2 is the most important.**

### 5. SWOT analysis

A typical analysis of strengths, weaknesses, opportunities and threats in the following socio-economic areas:

- Economic situation, innovations and competitiveness
- Modern society and competitiveness
- Environment, availability of transport and competitiveness
- Regional development and competitiveness

### 6. Assessment of the impacts of implementation of the programmes 2004-06

This chapter looks back at the first EU programming period in which the Czech Republic – though only partially – participated. A thorough **assessment of the implementation of the Operational Programmes 2004-2006** would be preliminary, but the chapter implies whether the individual objectives were complied with or not.

Based upon experience from this period the conclusions for the new programming period 2007-2013 are listed. Attention

should in particular be paid to **making the structure of implementation easy to orientate in, to simplifying and speeding up** the administrative processes for applicants for subsidies and to making an adequate administrative capacity of competent authorities available.

## 7. Strategy for the 2007-2013 period

One of the most important parts of the whole National Strategic Reference Framework. After an introduction which states the starting points, the whole chapter deals with the Strategy itself.

The Strategy comprises the Czech Republic's Post-2013 Vision, the global objective, horizontal themes, individual strategic objectives and evaluating indicators.

Apparently, the **definition of the global objective of the National Strategic reference framework** plays the key role:

The global objective of is to transform CR's socio-economic environment in compliance with the principles of sustainable development, so as to make the CR an attractive location for investment as well as for the work and life of its citizens. By means of incessant strengthening of the country's competitiveness, a sustainable development will be achieved in order to attain the economic level of EU-25. The CR will strive to boost employment and to pursue a balanced and harmonized regional development, which will result in enhancing the quality of life of the country's population.

The global objective implicitly includes the two major horizontal themes:

- **Equal opportunities**
- **Sustainable development.**

Apart from the global objective, the individual strategic objectives are described as well:

### Strategic objective I: Competitive Czech Economy

Reinforcing the competitiveness of the business sector by increasing its productivity and speeding up sustainable economic growth based on systematically developed innovative potential of a strong and progressively structured Czech economy, generating robust and sustainable economic growth.

The strategic objective of Competitive Czech Economy will be implemented by means of the priorities with the following specific objectives:

- a) **Competitive Business Sector** - a competitive, strong and innovative Czech business sector, attaining high

additional values and high labour productivity and capable of asserting itself in both the EU Internal Market and the other international markets.

- b) **Support of R&D Capacity for Innovation** - strengthening and increasing the efficiency of capacities in the area of R&D and innovations, with close functional links to the business sector. Consistent upgrading of the involvement of knowledge economy in the national economy.
- c) **Development of Sustainable Travel and Tourism Sector and Utilization of the Potential Offered by Cultural Heritage** - increasing the share of tourism in the economy of different regions as well as of the CR as a whole through an improved utilization of the potential for expanding the travel industry, including the development of cultural heritage.

### Strategic Objective II: Open, Flexible and Cohesive Society

The creation of a modern civil society open to outer opportunities, a society that is able to respond to such stimuli. The objective is to support the development of an internally diverse, socially aware and cohesive society and to contribute to improving the quality of life of its citizens, to create a modern educational system that would be conducive to the development of a knowledge economy and become the driving force behind an efficient and flexible labour market, which in turn will boost the strong capability of the economy to create new and high quality jobs.

The strategic objective of Competitive Czech Economy will be implemented by means of the priorities with the following specific objectives:

- a) **Education** - the objective of this priority is to increase the adaptability of the Czech human potential in order to ensure increased competitiveness of the Czech economy and support of both current employment and future employability levels, including the improved quality of human resources for the business sector.
- b) **Increasing Employment and Employability** - increasing both employment and employability, mainly through strengthening the adaptability of the human resources and enhancing labour market flexibility.
- c) **Strengthening Social Cohesion** - a society generating equal opportunities for all, assisting in the removal of obstacles in the integration of groups at risk of or exposed to social exclusion, which guarantees access to the social infrastructure for all citizens.



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- d) **Development of Information Society** - making the information society services more readily available, information society for all.
- e) **Smart Administration** - the objective of the public administration reform is to make the public administration and public services more effective by improving the quality and professionalization of human resources, modernising methods and instruments of management and using modern technologies, and therefore to support the socio-economic growth of the CR and to increase the quality of life of its inhabitants.
- b) **Development of Urban Areas** - strengthening the role of towns as accelerators of regional growth and development of regions and support for revitalization of decaying districts.
- c) **Development of Rural Areas** - sustainable development of rural areas.
- d) **Cohesion Region the Capital City of Prague** - sustainable development of the Capital City of Prague as an important centre of socio-economic, cultural, educational, research and innovative activities.
- e) **European Territorial Cooperation** - a full-fledged involvement of Czech Republic's regions in the socio-economic processes taking place within the EU, both at the cross-border level and at the levels of transnational and inter-regional cooperation.

### Strategic Objective III: Attractive Environment

Provide a high quality physical platform for economic and social development through investments into improving the quality of the environment and access to transport networks.

The strategic objective of Competitive Czech Economy will be implemented by means of the priorities with the following specific objectives:

- a) **Protection and Improvement of the Quality of the Environment** - improving access to the environmental infrastructure, renewing and improving the quality of environment and supporting energy savings.
- b) **Improving Accessibility to Transport** - reinforcing the access to transportation and public transportation services, developing environmentally friendly means of transport.

### Strategic Objective IV: Balanced Development of Territory

Balanced and harmonious development of the whole territory of the CR achieved by mitigating disparities between regions and within regions. Economic growth and an increase in employment will be supported by the use of natural, economic and socio-cultural regional dissimilarities and their differentiated internal potential. At the same time, respect for the variability of the geographical structure (population structure, hierarchy of towns, types of rural area) will reinforce territorial and social cohesion.

The strategic objective of Competitive Czech Economy will be implemented by means of the priorities with the following specific objectives:

- a) **Balanced Regional Development** - balanced and harmonious development of regions leading to a decrease in disparities of the socio-economic development level among and within the regions of the CR.

## 8. Operational programmes

A part of the NSRF which attracts the highest attention of the researchers = potential applicants for aid from the structural funds and the Cohesion Fund. Therefore, this part is described in detail in a **special chapter** (see below).

## 9. Focus of the economic and social cohesion policy and its link to the rural development and fisheries policy

This chapter defines the funding between the economic and social cohesion, which is funded from the European structural funds (**the European Regional Development Fund** and **the European Social Fund**) and **the Cohesion Fund**, on one hand, and interventions funded from **the European Agricultural fund for Rural Development (EAFRD)** and **the European Fisheries Fund (EFF)**, on the other hand.

The aim is to maximize the synergic effects between those financial resources, to eliminate overlaps and clear up any uncovered areas.

## 10. Macroeconomic model

The positive impact of the implementation of the NSRF measures on the national economy will, basically, consist of two independent components:

- **Dominant component on the economy's demand side**, which is in particular influenced by expenditure of the structural funds and the Cohesion Fund allocated to public and accompanying private investments;
- **Dominant component on the economy's supply side**, that arises due to the gradual build-up of "stocks" of

infrastructure, human capital and R&D, and the beneficial side effects that will be generated both during and after the NSRF implementation.

The used HCZ 5 HERMIN model identified that the NSRF is likely to cause a steep rise in the rate of GDP growth already in 2007, the first year of implementation. In 2007, the “with-NSRF” growth rate is projected to 4.7%, while the baseline scenario “without-NSRF” growth rate is 4.3%, i.e. **an increment of 0.4 percentage points due to the NSRF**. After the year 2007, there are further significant increases in the growth rate, relative to the “without-NSRF” baseline. The other notable feature is the large negative shock to the growth rate (relative to the baseline “without-NSRF” growth rate) experienced in the year 2016 (by minus 2.2 %), due to the assumed complete cessation of the NSRF funding after 31 December 2015. After the year 2015, the “with-NSRF” and “without-NSRF” growth rates are almost identical.

It is also possible to define the impact of the NSRF implementation on the level of GDP. Here a steep rise in the level of GDP in the initial year 2007 is assumed (a rise of 0.4%, compared to the “without-NSRF” baseline level). Thereafter, there is a build-up in the increase level until the termination of the NSRF in the year 2015, by which point **the level of GDP is 4.6% higher** than the “without-NSRF” case.

Similar positive effects are also anticipated in the labour market.

## 11. Management and coordination of the economic and social cohesion policy

This defines the activities, mutual cooperation and liability of separate public administration bodies responsible for the implementation of the European policy for economic and social cohesion in the Czech Republic. The fundamental institutions:

The Ministry for Regional Development (MRD) was appointed the **National Coordination Authority of the NSRF**, which is responsible for the overall coordination of NSRF and is the official partner for the European Commission on NSRF issues.

The role of the **Monitoring Committee of NSRF** is fulfilled by the Management and Coordination Committee established by MRD.

In order to implement the assistance provided under the structural funds and the Cohesion Fund, the Czech Republic established a single **Paying and Certifying Authority**, namely the National Fund Department of the Ministry of Finance.

The **Audit Authority** fulfils an important role in the controlling mechanisms; the Ministry of Finance – the department of Central Harmonisation Unit for Financial Control – has been appointed to perform the competence of AA.

Separate operational programmes are managed by the **managing authorities**, i.e. the respective Ministries in accordance with the focus of the respective operational programme: MRD, Ministry of Industry and Trade, Ministry of Labour and Social Affairs, Ministry of Education, Youth and Sports, Ministry of the Environment, Ministry of Transport, the Capital City of Prague and Regional Councils of NUTS II level cohesion regions.

Communication with applicants for subsidies provided from the EU funds is managed by the implementation agencies or **intermediate bodies**, which are mostly public organizations established by the managing authorities.

## 12. System of financial flows of structural funds and the Cohesion Fund

This defines the system of utilisation of EU funds resources. In the new programming period all resources of the structural funds and the Cohesion Fund are **integrated into the state budget** and beneficiaries receive the resources from the state budget in advance. The Paying and Certifying Authority subsequently transfers the EU funds resources to the state budget. The managing authority determines whether the applicants/researchers receive the subsidies in advance or whether the resources are refunded retroactively.

The chapter also mentions the **co-financing principle**, according to which the public resources expended as subsidies for each project should consist 85% of the EU funds and the remaining 15% of the national public budgets of the Czech Republic. The Czech Republic decided to relate the rate of co-financing solely to public expenditures.

Public budgets of the Czech Republic will therefore have to expend at least EUR 4.7 billion in the period of 2007-2015 (2013 + 2 years), in order to utilise the maximum allocation that will be available for the 2007-2013 programming period.

## 13. Additionality for convergence objective in the period 2007-2013

This chapter describes the ex-ante verification of additionality – i.e. the base level of public expenditure in the Czech Republic related to economic and social cohesion to be complied with in the programming period 2007-2013. The starting point for setting the limit was real expenditure from public budgets in the Czech Republic in the given area in 2004 and 2005 based on which the average for both years was determined. **Verification of additionality** is carried out





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for NUTS II regions belonging to the Convergence objective, i.e. for the entire Czech Republic with the exception of the NUTS II Praha cohesion region.

## 14. Ex-ante evaluation of NSRF

The chapter describes the ex-ante evaluation of the National Reference Strategic Framework. Although the processors (the company Bergman Group – economic development services Ltd. was chosen in an open tender) have several reservations, the main ones include:

- **regional dimension of interventions of thematic operational programmes**, which is required and presumed in the NSRF is not appropriately taken into consideration in thematic operational programmes;
- **mechanism for coordination of interventions from various OP** and securing synergy among various interventions of OP is not clear.

## 15. Assessing the impact of the NSRF on the environment

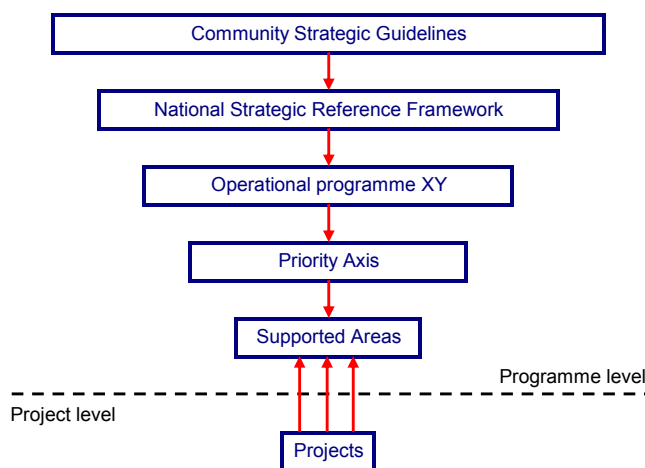
The required preparation of the SEA (**Strategic Environmental Assessment**) is regulated by Act No. 100/2001 Coll., on assessing the impacts on the environment. Based on the assessment of the NSRF impacts on the environment, the SEA processor proposed an affirmative statement including several minor conditions that are stated in the chapter.

## OPERATIONAL PROGRAMMES STRUCTURE

All operational programmes take the following structure:

- **Introduction**
- **Justification of the programme necessity** – analysis of current social and economic situation in the particular area
- **Description of the strategy** chosen to remove identified problems, definition of objectives of the operational programme, its connection with other operational programmes, relation to horizontal topics.
- **Specification of the operational programme scope** – priority axes, supporting areas, types of projects implemented in the scope of the given supporting area, selection of grant recipients, monitoring indicators etc.
- **Financial assurance** of the programme, money allocation among separate priority axes
- **Description of operational programme control** – roles of institutions involved in programme management, way of monitoring, evaluation, inspection, publicity
- **Enclosures**

Operational programmes take the following structure:



In 2007-2013 the Czech Republic will use 24 operational programmes divided into the three objectives of the economic and social cohesion policy:

### Convergence objective

This objective consists of the support for growth and creating new jobs in the least developed Member States and regions. This will include **regions with GDP per capita lower than 75% of the EU average** and the temporary support (by the year 2013) will be provided to the phasing-out regions where the GDP per capita was lower than 75% of its level in the EU-15 (the GDP per capita indicator related to the average improved due to the statistical effect of the EU enlargement).

**This objective will be implemented through eight thematic operational programmes:**

- OP Transport
- OP Environment
- OP Enterprise and innovation
- OP Research and Development for Innovation
- OP Human Resources and Employment
- OP Education for Competitiveness
- Integrated Operational Programme
- OP Technical Assistance

**and seven regional operational programmes (ROP):**

- ROP NUTS II Northwest
- ROP NUTS II Moravia-Silesia
- ROP NUTS II Southeast
- ROP NUTS II Northeast



- ROP NUTS II Central Moravia
- ROP NUTS II Southwest
- ROP NUTS II Central Bohemia

#### Regional competitiveness and employment objective

This objective is intended for cohesive **support of other than the least developed regions** (defined by the GDP/cap indicator lower than 75% of the EU average) and its aim is to assist them in dealing with rapid economic and social changes, globalisation and changeover to a knowledge-based society. It also includes aid for the phasing-in regions, i.e. regions of the former objective No. 1, which thanks to their economic progress cannot be included in the current Convergence objective.

This objective will be implemented through the two following programmes:

- **OP Prague Competitiveness**
- **OP Prague Adaptability**

A portion of the Regional competitiveness and employment objective will be used also through the operational programmes Human Resources and Employment, Education for Competitiveness, the Integrated Operational Programme and Technical Aid to Support Nation-wide System Interventions.

#### European territorial cooperation objective

This means the **stimulation of regional cooperation on the cross-border, international and supra-national level** with the aim of finding a common solution for problems such as development of cities, rural development and development of maritime regions, development of economic relations and creating small and medium-sized businesses networks.

The objective will be implemented through seven OPs:

##### **a) Cross-Border Cooperation:**

- OP Cross-Border Cooperation CR - Bavaria
- OP Cross-Border Cooperation CR - Poland
- OP Cross-Border Cooperation CR - Austria
- OP Cross-Border Cooperation CR - Saxony
- OP Cross-Border Cooperation CR – Slovakia

##### **b) Interregional Co-operation**

- OP Interregional Cooperation (all EU states, Norway and Switzerland)

##### **c) Transnational Co-operation**

- OP Transnational Cooperation (CR, Austria, Poland, parts of Germany, Hungary, Slovenia, Slovakia, parts of Italy and part of Ukraine)

#### **Relations of NSRF priorities to priority axes of the Operational Programmes**

NSRF Priority	Operational programme	OP Priority Axis
<b>Strategic objective I: Competitive Czech economy</b>		
Competitive business sector	OP Enterprise and Innovations	Establishment of firms Development of firms Environment for enterprise and innovation Business development services
	OP HRE	Adaptability
	OP Prague - Adaptability	Support for development of knowledge economy
Support of R&D capacities	OP Research and Development for Innovations	Development of R&D capacities Development of capacities for cooperation of the public and private sector in research and development Strengthening of capacities of universities for tertiary education
	OP Enterprise and Innov.	Innovation
	OP Education for Competit.	Tertiary education, research and development
	OP PA	Support for development of knowledge economy
Development of sustainable travel and tourism sector	ROPs	Development of tourism
	IOP	National support for tourism
<b>Strategic objective II: Open, flexible and cohesive society</b>		



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Education	OP Education for Competitiveness	Initial education Further education Tertiary education, research and development
	OP Research and Development for Innovat.	Strengthening capacities of universities for tertiary education
	OP Prague - Adaptability	Modernisation of initial education
	OP HRE	Adaptability
	ROPs	Support of physical infrastructure in regional education
Increasing employment and employability	OP Human Resources and Employment	Adaptability Active labour market policies Transnational cooperation
	IOP	Increasing the quality and accessibility of public services
	OP Prague - Adaptability	Support for the development of knowledge economy
	OP Education for Competitiveness	Initial education Tertiary education, research and development
Strengthening of social cohesion	OP HRE	Social integration and equal opportunities
	IOP	Increasing the quality and accessibility of public services
	OP Prague - Adaptability	Support to the entry to the labour market
Development of information society	IOP	Smart administration
	OP Human Resources and Employment	Public administration and public services Active labour market policies
	OP Education for Competit.	Further education
	OP Enterprise and Innovation	Environment for enterprise and innovation Business development service
	OP Research and Development for Innovat.	
	OP Prague – Adaptability	Support for the development of knowledge economy
Smart Administration	OP HRE	Public administration and public services
	IOP	Smart administration Increasing the quality and accessibility of public services National support for territorial development
<b>Strategic objective III: Attractive environment</b>		
Protection and improvement of the quality of environment	OP Environment	Improvement of water management infrastructure and reduction of floods risk Improvement of air quality and reduction of emissions Sustainable use of energy sources Improvement of waste management and removal of old environmental burdens Limitation of industrial pollution and environmental risks Improvement of state of nature and landscape Development of infrastructure for environmental education, consultancy and awareness
	OP Enterprise and Innovat.	Effective energy
Improving accessibility to transport	OP Transport	Modernisation of the TEN-T railway network Construction and modernis. of the TEN-T motorway and road network Modernisation of the railway network outside TEN-T Modernisation of the primary roads outside TEN-T Support of multimodal freight transport and devel. of inland waterways



Strategic objective IV: Balanced development of territory		
Balanced regional development	ROPs	Transport, Transport infrastructure, Transport accessibility, availability of transport Public transport (replacement of vehicles)
	IOP	National support for territorial development
Development of urban areas	ROPs	
	IOP	National support for territorial development
Development of rural areas	ROPs	
	IOP	National support for territorial development
Regional competitiveness and employment – the Capital City of Prague	OP Transport	Modernisation and development of Prague metro (underground) and road traffic management systems in the Capital City of Prague
	OP Prague - Competitiveness	Availability of the environment Innovations and enterprise
	OP Prague - Adaptability	Support for the development of knowledge economy Support to the entry to the labour market Modernisation of the initial education
Territorial cooperation	OP CR – Poland OP CR – SR OP CR – Saxony OP CR – Austria OP CR – Bavaria OP Inter-regional Cooperat. OP Transnational Cooper.	

#### Community contribution – indicative annual allocation by programmes (mil. EUR, current prices)

Operational programme	mil. €
OP Enterprise and innovation	3 041
OP Research and Development for Innovation	2 071
OP Environment	4 918
OP Transport	5 774
Integrated Operational Programme	1 553
Regional operational programmes	4 659
OP Technical Assistance	244
OP Human Resources and Employment	1 812
OP Education for Competitiveness	1 812
<b>Total Convergence objective</b>	<b>25 884</b>
OP Prague Competitiveness	235
Integrated Operational Programme	29
OP Technical Assistance	4
OP Prague Adaptability	108
OP Human Resources and Employment	26
OP Education for Competitiveness	17
<b>Total Regional competitiveness and employment objective</b>	<b>419</b>
5x OP Cross-Border Cooperation	352
OP Interregional Co-operation and OP Transnational Co-operation	37
<b>Total European territorial cooperation objective</b>	<b>390</b>
<b>TOTAL</b>	<b>26 692</b>

Source: NSRF





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## INDIVIDUAL OPERATIONAL PROGRAMMES

### Operational Programme Enterprise and Innovation

**The global objective** of the OP Enterprise and Innovation is to improve the competitiveness of the CR by the end of the programme period and to bring the innovative performance of the industry and service sectors closer to the level of the major European industrial states. The OP EI should achieve this by significant support of innovations and close interconnection of the development and research area with the business sphere.

**The Managing Authority** of the OP EI is the MIT.

#### Priority Axes of OP

1. Establishment of firms
2. Development of firms
3. Effective energy
4. Innovation
5. Environment for enterprise and innovation
6. Business development services
7. Technical assistance

### Operational Programme Research and Development for Innovations

**The global objective** of the OP Research and Development for Innovations is strengthening the research, development and innovation potential of the CR, ensuring growth, competitiveness and job creation in the regions<sup>38</sup> so that the CR would become a location of European importance in concentration of those activities by means of universities, research institutions and other relevant entities.

**The Managing Authority** of the OP R&DI is the MoEYS.

#### Priority Axes of OP

1. Development of research and development capacities
2. Development of capacities for cooperation of the public and private sectors in research and development
3. Strengthening capacities of universities for tertiary education
4. Technical assistance

### Operational Programme Human Resources and Employment

**The global objective** of the OP Human Resources and Employment is to increase employment and employability of people in the CR to the level of the 15 best EU countries average. This objective will be achieved via increasing of adaptability of employees and employers, among others by means of further education, improvement of access to employment and prevention of unemployment, strengthening integration of persons endangered by social exclusion or socially excluded, strengthening institutional capacity and efficiency of public administration and public services, and intensification of international cooperation in the area of human resources and employment.

**The Managing Authority** of the OP HRE is the MoLSA.

#### Priority Axes of OP

1. Adaptability
2. Active Labour Market Policies
3. Social Integration and Equal Opportunities
4. Public Administration and Public Services
5. Transnational Cooperation
6. Technical Assistance

*Priority axes 2, 4, 5 and 6 will be complemented by financial contribution from the Regional competitiveness and employment objective to allow support of the whole area of the CR including Prague.*

### Operational Programme Education for Competitiveness

**The global objective** of the OP Education for Competitiveness is the development of an open, flexible and cohesive society and strengthening competitiveness of the CR economy through partner cooperation, resulting in improving quality and modernisation of the educational system in the complex framework of life-long learning, and in improvement of conditions in the area of research and development. **The Managing Authority of the OP EC is the MoEYS.**

#### Priority Axes of OP

1. Initial education
2. Tertiary Education, Research and Development
3. Further Education
4. System Framework of Life-long Learning
5. Technical Assistance

*Priority axes 4 and 5 will be complemented by financial contribution from the Regional competitiveness and employment objective to allow support of the whole area of the CR including Prague.*



## Operational Programme Environment

**The global objective** of the OP Environment is protecting and improving the quality of the environment as one of the basic principles of sustainable development. The high-quality environment is the basis for healthy population and it increases attractiveness of the territory for life, work and investment.

**The Managing Authority of the OP E is the MoE.**

### Priority Axes of OP

1. Improvement of water management infrastructure and reduction of floods risk
2. Improvement of air quality and reduction of emissions
3. Sustainable use of energy resources
4. Improvement of waste management and removal of old environmental burdens
5. Limitation of industrial pollution and environmental risks
6. Improvement of state of nature and landscape
7. Development of infrastructure for environmental education, consultancy and awareness
8. Technical assistance

## Operational Programme Transport

**The global objective** of the OP Transport is making transport more accessible. It will be executed in the following modes of transport: rail, road (in state ownership, i.e. motorways and main roads – expressways and other main roads), inland waterways, multi-modal and by investment to environment-friendly urban transport.

**The Managing Authority** of the OP T is the MoT.

### Priority Axes of OP

1. Modernisation of the TEN-T rail network
2. Construction and modernisation of the TEN-T motorway and road network
3. Modernisation of the rail network except for the TEN-T network
4. Modernisation of class I roads except for the TEN-T network
5. Modernisation and development of the Prague metro and road transport management systems in the Capital City of Prague
6. Support of multimodal freight transport and development of inland waterways
7. Technical assistance

## Integrated Operational Programme

**The global objective** of the Integrated Operational Programme is modernisation and streamlining of activities and processes in the area of public administration, public services and management of territorial development by means of modernising the technical background, as a prerequisite for the development of modern civil society and increased competitiveness of regions and the CR as a whole.

**The Managing Authority** of the OP T is the MRD.

## Regional Operational Programmes

The global objective of the regional operational programmes is aimed at boosting development of the CR regions, at increase of their competitiveness and attractiveness for investment, and at enhancing the quality of life of the population, while respecting balanced and sustainable development of the regions following from utilisation of their potential.

**The Managing Authority** are Regional Councils of the individual cohesion regions.

### Priority Axes of OP

1. Smart administration
2. ICT in local public administration
3. Increased quality and accessibility of public services
4. National support for tourism
5. National support for territorial development
6. Technical assistance

*Priority axes 1, 4, and 6 will be complemented by financial contribution from the Regional competitiveness and employment objective to allow support of the whole area of the CR including Prague.*



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ROPs	Priority Axes of ROPs
ROP NUTS II Southwest	<ol style="list-style-type: none"> <li>1. Accessibility of centres</li> <li>2. Stabilisation and development of towns and municipalities</li> <li>3. Development of tourism</li> <li>4. Technical assistance</li> </ol>
ROP NUTS II Southeast	<ol style="list-style-type: none"> <li>1. Accessibility of transport</li> <li>2. Development of sustainable tourism</li> <li>3. Sustainable development of towns and rural settlements</li> <li>4. Technical assistance</li> </ol>
ROP NUTS II Central Moravia	<ol style="list-style-type: none"> <li>1. Transport</li> <li>2. Integrated development and renewal of the region</li> <li>3. Tourism</li> <li>4. Technical assistance</li> </ol>
ROP NUTS II Northwest	<ol style="list-style-type: none"> <li>1. Urban regeneration and development</li> <li>2. Integrated support of local development</li> <li>3. Transport accessibility and services</li> <li>4. Sustainable development of tourism</li> <li>5. Technical assistance</li> </ol>
ROP NUTS II Northeast	<ol style="list-style-type: none"> <li>1. Development of transport infrastructure</li> <li>2. Development of urban and rural areas</li> <li>3. Tourism</li> <li>4. Development of business environment</li> <li>5. Technical assistance</li> </ol>
ROP NUTS II Moravia Silesia	<ol style="list-style-type: none"> <li>1. Regional infrastructure and accessibility</li> <li>2. Support for the prosperity of the region</li> <li>3. Urban development</li> <li>4. Rural development</li> <li>5. Technical assistance</li> </ol>
ROP NUTS II Central Bohemia	<ol style="list-style-type: none"> <li>1. Transport</li> <li>2. Tourism</li> <li>3. Integrated territorial development</li> <li>4. Technical assistance</li> </ol>

## Operational Programme Technical Assistance

The Operational Programme Technical Assistance is intended to ensure activities supporting effective management, control, monitoring and evaluation of implementation of the NSRF, which covers the activities of economic policy and social cohesion policy in the CR, and for activities connected with the use of resources from the SF and CF, which require a unified approach at the national level.

**The Managing Authority of the OP TA is the NCA – MRD.**

### Priority Axes of OP

1. Management of NSRF
2. Monitoring of NSRF
3. Administrative Capacity
4. Publicity and Awareness

*All priority axes will be complemented by financial contribution from the Regional competitiveness and employment objective to allow support of the whole area of the CR including Prague.*



## Main topic

### Operational Programme Prague – Competitiveness

**The global objective** of the OP Prague – Competitiveness is to increase the competitiveness of Prague as a dynamic metropolis of an EU Member State, by means of eliminating development barriers and weaknesses of the region, enhancing quality of urban environment, improving accessibility of transport and telecommunication services and evolving the innovative potential of the city.

**The Managing Authority of this operational programme is the Capital City of Prague.**

#### Priority Axes of OP

1. Accessibility and the environment
2. Innovations and enterprise
3. Technical assistance

### Operational Programme Prague – Adaptability

**The global objective** OP Prague – Adaptability aims to raise Prague's competitiveness by promoting the adaptability and efficiency of its human resources and by improving access to employment for all. Fulfilling this objective contributes to strengthening the sustainable socioeconomic development of the region and increasing the importance of the Capital City of Prague in the central European region in comparison with the capitals of other Member States.

**The Managing Authority** of this operational programme is the Capital City of Prague.

#### Priority Axes of OP

1. Management of NSRF
2. Monitoring of NSRF
3. Administrative Capacity
4. Publicity and Awareness

### Operational Programme Czech Republic - the Independent State of Bavaria

**The global objective** of the OP is further development of the Czech-Bavarian border area as a common and perspective living, natural and economic area, strengthening competitiveness of the Czech-Bavarian border area and improving sustainability of living conditions for its inhabitants.

The Managing Authority of the Czech-Bavarian operational programme is the Bavarian State Ministry of Economy, Infrastructure, Transport and Technology. **The national co-ordinator** coordinating activities of the OP, is the MRD.

#### Priority Axes of OP

1. Economic development, human resources and cooperation networks
2. Development of the area and of the environment

### Operational Programme the Independent State of Saxony

**The global objective** of the OP is implementation of cross-border economic, social and environmental activities through joint strategies supporting sustainable territorial development.

**The Managing Authority** of the Czech-Saxon operational programme is the Saxon State Ministry of Economy and Labour. The national co-ordinator co-ordinating activities of the OP is the MRD.

#### Priority Axes of OP

1. Development of social framework condition in the eligible area
2. Development of economy and tourism
3. Improvement of situation of nature and environment
4. Technical assistance

### Operational Programme Austria – the Czech Republic

**The global objective** of the OP is to increase and intensify the co-operation in this cross-border region and the support of sustainable economic growth by means of removal of existing

#### Priority Axes of OP

1. Social economic development, tourism and know-how transfer
2. Regional accessibility and sustainable development
3. Technical assistance





## Main topic

barriers and enhancement of the whole development potential of the territory. **The Managing Authority** of the Czech-Austrian operational programme is the Office of the Government of Lower Austria. The national co-ordinator co-ordinating activities of the OP is the MRD.

### Operational Programme the Slovak Republic - the Czech Republic

**The global objective** of the OP is growth of cohesion and convergence of the cross-border region; creation of a functional network of co-operating authorities aiming at supporting sustainable, integrated economic, environmental, social and cultural development of the border region by improving accessibility, development of ICT use, tourism, preservation and development of cultural traditions.

**The Managing Authority** of the Czech-Slovak operational programme is the Ministry of Construction and Regional Development of the Slovak Republic. The national co-ordinator coordinating activities of the operational programme is the MRD.

#### Priority Axes of OP

1. Support of social, cultural and economic development and cooperation in the crossborder region
2. Development of the cross-border region accessibility and environment
3. Technical support

### Operational Programme the Czech Republic - Poland

**The global objective** of the OP is support of the social-economic development of the territory of the Czech-Polish border area, through strengthening its competitiveness and cohesion, and in promoting partner cooperation of its inhabitants.

**The Managing Authority** of the operational programme is the MRD.

#### Priority Axes of OP

1. Strengthening of accessibility, environmental protection and risk prevention
2. Support of development of business environment and tourism
3. Supporting of local communities cooperation
4. Technical assistance

### Operational Programme Trans-national Co-operation

**The global objective** of the programme is to improve the competitiveness of Central Europe by creating and strengthening the existing measures and structures in the area of innovation and accessibility, and also on improving social and environmental sustainability thanks to improved quality of the environment and the development of attractive towns in Central Europe.

**The Managing Authority** for trans-national co-operation will be located outside of the CR. The national co-ordinator of trans-national co-operation in the CR is the MRD.

### Operational Programme Interregional Co-operation

**The global objective** of the programme is to improve the efficiency of the regional development policy in the fields of innovation, knowledge-based economy, the environment and protection against risks by inter-regional co-operation.

**The Managing Authority** for interregional co-operation will be located outside of the CR. The national co-ordinator of interregional co-operation in the CR is the MRD.





## THE CURRENT STATE OF NEGOTIATION

At the end of February the Czech government adopted the National Strategic Reference Framework as well as the last of the operational programmes – IOP – in the wordings intended for negotiations with the European Commission. The NSRF was presented to the European Commission on 5 March and the **formal negotiation** regarding its wording began.

The government appointed a **negotiating team** led by Milan Půček, the deputy minister for regional development, by mid March. The first official round of negotiations on the NSRF took place in Brussels in mid April and then several other more or less formal meetings followed. A key decision was adopted on 27 July. The European Commission adopted the NSRF and thus the negotiation process was completed.

Concurrently with the NSRF negotiations the Commission considered separate operational programmes. There is a rule that the Commission should first approve the NSRF defining the overall structure of OPs and then the individual operational programmes. This is why **none of the operational programmes has been approved so far**.

According to the media, the first to be approved, as soon as in September, could be the operational programmes funded from the European social fund:

- **OP Human Resources and Employment**
- **OP Education for Competitiveness**
- **OP Prague Adaptability**

Negotiations on the most extensive **operational programme Transport** and **OP Industry and Enterprise** are on the right path. The **operational programme for Technical Assistance**, used to fund the implementation of the EU structural and cohesion policy in the Czech Republic, is however likely to be the last to be approved.

The OP managing authorities **may already publish invitations to submit applications for support** for “non-problematic” measures where they expect the European Commission to approve them smoothly. The application with project intentions are collected by the relevant implementation agencies and ready to be approved by the evaluation commissions in a speedy manner as soon as the Commission gives its consent to the respective operational programme.

By mid August, only three managing authorities took courage and published invitations to submit applications for support for selected priorities of the following operational programmes:

- **Ministry of Industry and Trade** – OP Industry and Enterprise
- **Ministry of Transport** – OP Transport
- **Ministry of Environment** – OP Environment

Danuta Hübner, Commissioner responsible for economic and social cohesion policy, would like to finish the negotiations by the end of the year. According to some informed resources, the process of approving the last operational programmes may **last well past the end of this year**.

In such case, the relevant allocation for this year is likely not to be used and it will lapse. In order to prevent this from happening, the managing authorities of the delayed OPs may select certain projects upon announced invitations and the implementation of such projects will start this year. Then a three-year period (i.e. N+3 rule) will commence when the subsidies may be used (from 2011 only a two-year period – N+2). There is a risk that the finally agreed version of the operational programmes may eventually differ from the version according to which the programmes were selected.

The completion of the negotiations on the operational programmes does not mean that the whole process is over. The officials in charge should take care of a **proper implementation and administration of the programmes**, otherwise there is a threat that the country will be obliged to refund a portion of the monies.

The allocation of structural help of the European Union for the whole programming period of 2007-2013 represents EUR 26.69 billion in current prices. Compared to the previous period 2004-2006 this represents **roughly four times more financial means** every year. Due to massive support from the EU, the Czech Republic has a unique opportunity to accelerate its socio-economic development and further increase the level of the economy and the quality of life.

We believe that the public administration authorities in charge learned sufficient lessons from their mistakes when implementing the aid from the EU funds in the previous programming period, that the applicants are to submit a sufficient number of quality projects, and that this **historic chance will not be wasted**.

There are sufficient preconditions provided in the National Strategic Reference Framework, which was prepared in a high quality manner. Let's hope it does not exist on paper only.

## Key macroeconomic indicators

in %	GDP growth y-on-y			Current account to GDP*			Unemployment rate			Inflation y-on-y average		
	2004	2005	2006	2004	2005	2006	V-07	VI-07	VII-07	V-07	VI-07	VII-07
Belgium	3.0	1.1	3.1	3.6	2.5	2.3	7.5	7.4	7.5	1.3	1.3	1.3
Bulgaria	6.6	6.2	6.1	-6.6	-12.0	-15.8	7.2	7.0	6.6	4.5	5.3	6.8
<b>CR</b>	4.2	6.1	6.1	-6.3	-2.7	-4.1	5.8	5.7	5.5	2.4	2.6	2.5
Denmark	2.1	3.1	3.1	3.1	3.6	2.5	3.5	3.4	3.2	1.7	1.3	1.1
Germany	1.2	0.9	2.7	3.9	4.2	4.7	6.5	6.4	6.4	2.0	2.0	2.0
Estonia	8.1	10.5	11.4	-12.5	-11.1	-14.2	5.3	5.3	5.4	5.9	6.0	6.5
Ireland	4.3	5.5	6.0	-1.0	-3.1	-3.3	4.4	4.4	4.7	2.7	2.8	2.7
Greece	4.7	3.7	4.3	-9.5	-9.2	-11.4	n/a	n/a	n/a	2.6	2.6	2.7
Spain	3.2	3.5	3.9	-5.9	-7.5	-8.5	8.1	8.1	8.0	2.4	2.5	2.3
France	2.3	1.2	2.0	-0.6	-2.1	-2.0	8.7	8.6	8.5	1.2	1.3	1.2
Italy	1.2	0.1	1.9	-0.5	-1.2	-2.0	n/a	n/a	n/a	1.9	1.9	1.7
Cyprus	4.2	3.9	3.8	-5.0	-5.6	-5.9	4.1	3.9	4.1	1.9	1.7	2.3
Latvia	8.7	10.6	11.9	-12.9	-12.6	-21.1	5.9	5.8	5.6	7.8	8.9	9.5
Lithuania	7.3	7.6	7.5	-7.5	-6.9	-10.7	4.9	4.7	4.7	5.0	5.0	5.1
Luxembourg	3.6	4.0	6.2	11.8	11.1	8.6	4.8	4.9	4.9	2.3	2.3	2.0
Hungary	4.9	4.2	3.9	-8.4	-6.8	-5.9	7.6	7.7	7.7	8.4	8.5	8.3
Malta	0.4	3.0	2.9	-6.4	-8.3	-6.3	6.5	6.4	6.3	-1.0	-0.6	-0.2
Netherlands	2.0	1.5	2.9	8.6	7.1	9.9	3.3	3.4	3.4	2.0	1.8	1.4
Austria	2.4	2.0	3.1	2.1	2.9	3.7	4.3	4.3	4.3	1.9	1.9	2.0
Poland	5.3	3.5	6.1	-4.4	-1.7	-2.3	10.4	10.1	9.7	2.3	2.6	2.5
Portugal	1.3	0.5	1.3	-8.0	-9.6	-9.8	8.2	8.2	8.2	2.4	2.4	2.3
Romania	8.5	4.1	7.7	-5.0	-8.7	-10.3	7.2	7.2	6.9	3.9	3.9	4.1
Slovenia	4.4	4.0	5.2	-2.6	-2.0	-2.7	5.2	5.1	5.1	3.1	3.8	4.0
Slovakia	5.4	6.0	8.3	-2.5	-7.9	-7.7	10.8	10.7	10.6	1.5	1.5	1.2
Finland	3.7	2.9	5.5	7.7	4.9	5.9	6.8	6.8	6.8	1.3	1.4	1.6
Sweden	4.1	2.9	4.4	6.5	5.8	7.0	5.8	5.4	5.2	1.2	1.3	1.4
UK	3.3	1.9	2.8	-1.6	-2.4	-3.4	5.3	n/a	n/a	2.5	2.4	1.9
<b>EU</b>	2.5	1.7	3.0	0.2	-0.5	-0.7	7.0	6.9	6.8	2.1	2.2	2.0

in %	Public budget to GDP*			Public debt to GDP			GDP per capita to Ø EU			Price level to Ø EU		
	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006
Belgium	0.0	-2.3	0.2	94.3	93.2	89.1	119.3	118.0	117.7	104.4	104.0	104.1
Bulgaria	2.2	1.9	3.3	37.9	29.2	22.8	32.4	33.7	35.0	41.2	42.0	43.6
<b>CR</b>	-2.9	-3.5	-2.9	30.7	30.4	30.4	72.1	73.6	75.9	54.2	57.5	60.1
Denmark	2.0	4.7	4.2	44.0	36.3	30.2	119.4	121.7	122.0	137.9	138.7	137.9
Germany	-3.7	-3.2	-1.7	65.7	67.9	67.9	111.1	109.9	110.2	103.4	102.7	102.2
Estonia	2.3	2.3	3.8	5.2	4.4	4.1	53.4	59.7	65.0	62.0	63.6	66.3
Ireland	1.4	1.0	2.9	29.7	27.4	24.9	135.6	138.7	139.7	124.1	123.6	124.0
Greece	-7.9	-5.5	-2.6	108.5	107.5	104.6	81.4	84.0	85.1	86.2	87.4	88.2
Spain	-0.2	1.1	1.8	46.2	43.2	39.9	96.6	97.8	97.5	89.8	91.1	92.2
France	-3.6	-3.0	-2.5	64.3	66.2	63.9	107.6	108.4	107.1	109.2	106.5	106.0
Italy	-3.5	-4.2	-4.4	103.8	106.2	106.8	103.1	100.6	99.4	104.0	103.3	103.3
Cyprus	-4.1	-2.3	-1.5	70.3	69.2	65.3	87.6	88.8	88.4	89.5	88.2	88.5
Latvia	-1.0	-0.2	0.4	14.5	12.0	10.0	43.7	48.6	53.3	54.8	55.7	58.2
Lithuania	-1.5	-0.5	-0.3	19.4	18.6	18.2	49.0	52.0	54.8	52.5	54.0	55.8
Luxembourg	-1.2	-0.3	0.1	6.6	6.1	6.8	240.7	250.8	256.9	103.8	103.5	104.0
Hungary	-6.5	-7.8	-9.2	59.4	61.7	66.0	61.3	62.5	63.5	60.9	62.5	59.3
Malta	-5.0	-3.1	-2.6	73.9	72.4	66.5	72.0	71.6	71.4	71.9	72.0	72.7
Netherlands	-1.8	-0.3	0.6	52.6	52.7	48.7	124.6	125.4	125.5	104.7	103.5	103.1
Austria	-1.2	-1.6	-1.1	63.9	63.5	62.2	123.4	122.8	122.9	101.8	100.9	100.2
Poland	-5.7	-4.3	-3.9	45.7	47.1	47.8	48.6	49.7	51.2	52.6	61.1	62.2
Portugal	-3.3	-6.1	-3.9	58.2	63.6	64.7	72.1	71.6	70.4	85.7	84.1	84.6
Romania	-1.5	-1.4	-1.9	18.8	15.8	12.4	32.6	34.2	35.9	43.8	55.0	57.9
Slovenia	-2.3	-1.5	-1.4	28.9	28.4	27.8	79.9	81.8	83.6	74.5	74.8	75.0
Slovakia	-2.4	-2.8	-3.4	41.5	34.5	30.7	54.4	57.1	60.2	54.2	55.2	57.6
Finland	2.3	2.7	3.9	44.1	41.4	39.1	111.1	110.4	113.0	122.3	122.2	121.2
Sweden	0.8	2.1	2.2	52.4	52.2	46.9	115.4	114.6	115.7	120.3	117.3	116.6
UK	-3.1	-3.1	-2.8	40.3	42.2	43.5	118.0	117.5	117.0	106.7	108.0	109.1
<b>EU</b>	-2.7	-2.4	-1.7	62.5	63.3	62.2	100.0	100.0	100.0	100.0	100.0	100.0

Source: Eurostat, \* net balance, GDP per capita according to PPP

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