

Absorption Capacity Potential of Czech Regions

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Absorption Capacity Potential of Czech regions

In another of our essays, the amount and volume of GDP in current prices for each region will serve as the basic directing parameter for defining the absorption capacity potential for each cohesion and administrative region of the Czech Republic. Existing experience indicates that the proportion of funds originating from EU Cohesion Policy instruments in an economy of the Czech type is a little over 3% of the regional GDP. Given the evident similarity of the main parameters and rules of the Cohesion Policy, let us assume that the proportion will be approximately 3.0-3.5% in the next programming period.

In our further calculations, based on identifying both current key development parameters and the relative positions of the cohesion and administrative regions of the Czech Republic and the resulting ranking of their economic maturity and assumed economic maturity, we shall attribute values near 3.0 per cent to the more mature regions in the Czech Republic, and near 3.5% to the less mature. Naturally, Prague has a specific position, being a super-rich region which can no longer reach EU Cohesion Policy funds for convergence priorities, and its welfare and development priorities will be secured at a ratio to its GDP perceptibly lower than in underdeveloped regions.

Given the need to identify a reasonable proportion of all types of priorities, especially development and convergence ones, regions with a powerful innovative potential above all receive a certain bonus when calculating the regions' absorption capacity potential.

GDP in current prices – regional break-up

Volume of GDP in current prices – historical data

GDP in current prices in the Czech Republic (mil. €)

	1995	2000	2004	2005	2006	2007	2008
Czech Republic	1 466 522	2 189 169	2 814 762	2 983 862	3 222 369	3 535 460	3 688 994
Czech Republic without Prague	1 172 864	1 685 637	2 152 754	2 267 637	2 441 498	2 654 597	2 754 899
CR without Prague and Central Bohemia	1 037 143	1 462 409	1 854 446	1 958 909	2 095 555	2 272 811	2 359 407

Source: Czech Statistical Office

GDP in current prices in the CR's region NUTS II (mil. €)

	1995	2000	2004	2005	2006	2007	2008
Prague	293.658	503.532	662.008	716.225	780.871	880.863	934.095
Central Bohemia	135.722	223.229	298.308	308.728	345.943	381.786	395.492
SouthWest	159.667	232.961	300.097	316.054	341.059	361.111	374.803
NorthWest	151.601	198.055	251.336	261.785	278.606	298.867	315.769
NorthEast	193.703	285.557	346.951	366.130	389.410	419.985	428.487
SouthEast	218.854	316.897	404.479	425.864	460.278	505.359	525.648
Central Moravia	153.533	216.077	268.009	280.108	299.581	327.451	342.242
Moravia-Silesia	159.785	212.862	283.574	308.968	326.621	360.037	372.458

Source: Czech Statistical Office

GDP in current prices in the CR's region NUTS II (mil. €)

	1995	2000	2004	2005	2006	2007	2008
Prague	293.658	503.532	662.008	716.225	780.871	880.863	934.095
CentralBohemia r.	135.722	223.229	298.308	308.728	345.943	381.786	395.492
SouthBohemia r.	83.383	122.662	154.181	164.609	177.119	185.664	195.115
Plzeň region	76.284	110.299	145.916	151.445	163.940	175.447	179.688
Karlovy Vary region	40.474	54.360	65.063	66.895	68.609	74.642	78.367
Ústí nad Labem r.	111.127	143.695	186.273	194.889	209.997	224.225	237.402
Liberec region	55.211	81.807	94.693	104.689	109.657	114.090	114.121
Hradec Králové r.	73.382	111.179	135.420	139.985	146.242	160.244	162.711
Pardubice region	65.110	92.571	116.838	121.457	133.511	145.651	151.655
Vysočina region	62.621	91.765	120.038	126.025	135.150	147.958	152.148
SouthMoravia reg.	156.233	225.131	284.441	299.839	325.128	357.402	373.500
Olomouc region	77.028	109.552	138.214	141.197	148.755	162.226	173.089
Zlín region	76.505	106.525	129.796	138.911	150.827	165.225	169.153
Moravia-Silesia r.	159.785	212.862	283.574	308.968	326.621	360.037	372.458

Source: Czech Statistical Office

In the absolute nominal expression for 2008, the average value is CZK 461,124 million for the NUTS 2 cohesion regions, and CZK 263,500 million for regions.

GDP: relative position of regions NUTS II and NUTS III to the average of the CR in 2008

NUTS 2 Region	Relative position (CR's average = 0)	NUTS III Region	Relative position (CR's average = 0)
Prague	+10,0	Prague	+10,0
Central Bohemia	-1,4	CentralBohemia region	+5,0
SouthWest	-1,8	SouthBohemia region	-2,6
NorthWest	-3,1	Plzeň region	-3,2
NorthEast	-0,7	Karlovy Vary region	-7,0
SouthEast	+1,4	Ústí nad Labem region	-1,0
Central Moravia	-2,6	Liberec region	-5,8
Moravia-Silesia	-1,9	Hradec Králové region	-3,8
		Pardubice region	-4,2
		Vysočina region	-4,2
		SouthMoravia region	+4,2
		Olomouc region	-3,4
		Zlín region	-3,6
		Moravia-Silesia region	+4,1

Source: Czech Statistical Office

It follows clearly from the table of absolute values and relative positions that in convergence regions, the absolute value of its GDP itself is a significant determinant of the overall absorption capacity potential. According to that rule, the larger the region, or its production base, the higher its absorption capacity potential. At the cohesion region level, excepting Prague (whose specific position we have described earlier and which thus in fact does not belong in our ranking), NUTS2 Southeast has the most convenient position for the absorption capacity potential calculation; NUTS2 Northwest has the worst one.

This starting position, however, is then modified by a number of additional parameters: quantitatively by the assumed projection of regional development, and qualitatively by numerous other parameters and variables employed in our exploration.

To assess the future trend in regional development at the cohesion and administrative region levels, we are assisted by a projection of the expected development in the region's GDP, which is based on the currently assumed development potential of the Czech Republic as a whole. True, making a long-term projection is a qualified wish rather than a

meaningful rational estimate in the present time of increased uncertainty, yet we can assume the projection data to help us further specify the absorption capacity potential for each cohesion and administrative region of the Czech Republic.

Volume of GDP in current prices – long-term outlook

Long-term outlook of GDP in current prices in the Czech Republic (mil. €)

	2008	2010	2012	2015	2018	2020
Czech Republic	3 688 994	3 621 156	3 927 059	4 495 821	5 141 604	5 646 577
Czech Republic without Prague	2 754 899	2 713 018	2 929 144	3 329 608	3 829 894	4 214 190
CR without Prague and Central Bohemia	2 359 407	2 330 103	2 511 000	2 854 731	3 285 400	3 602 396

Source: Czech Statistical Office

Long-term outlook of GDP in current prices in the CR's regions NUTS II (mil. €)

	2008	2010	2012	2015	2018	2020
Prague	934 095	908 138	997 915	1,166 213	1,311 710	1,432 387
Central Bohemia	395 492	382 915	418 144	474 877	544 494	611 794
SouthWest	374 803	366 745	396 634	454 781	531 480	602 804
NorthWest	315 769	308 980	330 979	379 501	439 280	484 306
NorthEast	428 487	419 574	449 448	505 521	579 631	626 929
SouthEast	525 648	524 807	562 173	638 449	725 074	791 780
Central Moravia	342 242	338 135	365 693	415 310	476 194	510 099
Moravia-Silesia	372 458	371 862	406 073	461 169	538 741	596 478

Source: Czech Statistical Office

Long-term outlook of GDP in current prices in the CR's regions NUTS III (mil. €)

	2008	2020
Prague	934 095	1,432 387
CentralBohemia r.	395 492	611 794
SouthBohemia r.	195 115	316 473
Plzeň region	179 688	286 331
Karlovy Vary region	78 367	121 228
Ústí nad Labem r.	237 402	363 078
Liberec region	114 121	169 271
Hradec Králové r.	162 711	238 233
Pardubice region	151 655	219 425
Vysočina region	152 148	227 537
SouthMoravia reg.	373 500	564 243
Olomouc region	173 089	255 050
Zlín region	169 153	255 050
Moravia-Silesia r.	372 458	596 478

Source: Czech Statistical Office

In the absolute nominal expression for 2008, the average value is CZK 461,124 million for the NUTS 2 cohesion regions, and CZK 263,500 million for regions.

Long-term outlook of GDP: relative position of regions NUTS II and NUTS III to the average of the CR in 2020

NUTS II Region	Relative position (CR's average = 0)	NUTS III Region	Relative position (CR's average = 0)
Prague	+10.0	Prague	+10.0
Central Bohemia	-1.3	CentralBohemia region	+5.2
SouthWest	-1.5	SouthBohemia region	-2.2
NorthWest	-3.1	Plzeň region	-2.9
NorthEast	-1.1	Karlovy Vary region	-7.0
SouthEast	+1.2	Ústí nad Labem region	-1.0
Central Moravia	-2.8	Liberec region	-5.8
Moravia-Silesia	-1.5	Hradec Králové region	-4.1
		Pardubice region	-4.6
		Vysočina region	-4.4
		SouthMoravia region	+4.0
		Olomouc region	-3.7
		Zlín region	-3.7
		Moravia-Silesia region	+4.8

Source: Czech Statistical Office

GDP per capita – regional break-up

GDP per capita in the Czech Republic (mil. €)

	1995	2000	2004	2005	2006	2007	2008
Czech Republic	141 957	213 110	275 770	291 561	313 868	342 494	353 701
Czech Republic without Prague	128 630	185 467	238 102	250 347	268 797	290 875	299 302
CR without Prague and Central Bohemia	129 472	183 364	234 634	247 717	264 706	286 277	295 382

Source: Czech Statistical Office

GDP per capita in the CR's regions NUTS II (mil. €)

	1995	2000	2004	2005	2006	2007	2008
Prague	242 161	425 316	567 946	608 975	659 756	736 228	762 352
Central Bohemia	122 544	200 538	262 192	268 429	296 556	321 631	325 034
SouthWest	134 939	197 820	255 481	268 494	288 610	303 787	312 155
NorthWest	134 075	175 024	223 541	232 168	247 042	264 217	276 297
NorthEast	129 675	191 784	234 492	247 107	262 100	281 576	285 086
SouthEast	131 437	191 165	246 683	259 629	280 298	306 655	317 037
Central Moravia	122 591	173 681	217 705	227 836	243 702	266 110	277 589
Moravia-Silesia	124 311	166 891	226 089	246 825	261 316	288 186	297 926

Source: Czech Statistical Office

GDP per capita in the CR's regions NUTS III (mil. €)

	1995	2000	2004	2005	2006	2007	2008
Prague	242 161	425 316	567 946	608 975	659 756	736 228	762 352
CentralBohemia r.	122 544	200 538	262 192	268 429	296 556	321 631	325 034
SouthBohemia r.	132 949	195 948	246 523	262 632	281 664	294 058	307 454
Plzeň region	137 183	199 944	265 681	275 169	296 510	314 809	317 425
Karlovy Vary region	132 660	178 465	214 218	219 627	225 263	244 233	253 964
Ústí nad Labem r.	134 597	173 756	226 991	236 810	255 100	271 616	284 558
Liberec region	128 721	190 641	221 558	244 447	255 133	264 031	261 872
Hradec Králové r.	132 420	201 667	247 572	255 518	266 319	291 076	293 960
Pardubice region	127 497	182 033	231 273	240 245	263 436	286 196	295 219
Vysočina region	121 363	178 550	235 264	247 109	264 423	288 667	295 785
SouthMoravia reg.	135 960	196 834	251 841	265 278	287 472	314 774	326 596
Olomouc region	118 290	169 573	216 033	220 972	232 639	253 277	269 684
Zlín region	127 250	178 119	219 514	235 265	255 695	280 042	286 172
Moravia-Silesia r.	124 311	166 891	226 089	246 825	261 316	288 186	297 926

Source: Czech Statistical Office

In the absolute nominal expression for 2008, the average value is CZK 461,124 million for the NUTS 2 cohesion regions, and CZK 263,500 million for regions.

GDP per capita: relative position of regions NUTS II and NUTS III to the average of the CR in 2008

NUTS II Region	Relative position (CR's average = 0)	NUTS III Region	Relative position (CR's average = 0)
Prague	+10,0	Prague	+10,0
Central Bohemia	-0,8	CentralBohemia region	-0,8
SouthWest	-1,2	SouthBohemia region	-1,3
NorthWest	-2,2	Plzeň region	-1,0
NorthEast	-1,9	Karlovy Vary region	-2,8
SouthEast	-1,0	Ústí nad Labem region	-2,0
Central Moravia	-2,2	Liberec region	-2,6
Moravia-Silesia	-1,6	Hradec Králové region	-1,7
		Pardubice region	-1,7
		Vysočina region	-1,6
		SouthMoravia region	-0,8
		Olomouc region	-2,4
		Zlín region	-1,9
		Moravia-Silesia region	-1,6

Source: Czech Statistical Office

In respect of the different level of economic maturity (measured as GDP per capita), the following regions can be defined as more needy (with a stronger accent on convergence priorities): Central Moravia (especially due to Olomouc Region, but the position of Zlín Region is not much more flattering), and Northwest (especially Karlovy Vary Region); to some degree Northeast (chiefly Liberec Region) and Moravia-Silesia as well. These regions will be treated relatively preferentially compared to the others in the final absorption capacity potential calculation. On the other hand, Central Bohemia, Southeast and Southwest do not require so much intervention in terms of convergence priorities; in this respect, they are more likely to focus on development and welfare interventions.

Labour productivity per employee – regional break-up

Labour productivity per employee in the Czech Republic (CR's average = 100)

	1995	2000	2004	2005	2006	2007	2008
Czech Republic	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Czech Republic without Prague	94.5	91.9	91.5	91.3	91.5	90.2	90.1

Source: Czech Statistical Office

Labour productivity per employee in the CR's regions NUTS II (CR's average = 100)

	1995	2000	2004	2005	2006	2007	2008
Prague	129.9	141.8	143.5	143.0	141.2	148.6	148.1
Central Bohemia	94.9	102.0	100.1	100.5	101.9	99.5	99.5
SouthWest	95.1	91.4	91.6	90.6	91.7	88.8	88.2
NorthWest	97.0	89.5	87.8	87.2	87.2	87.4	87.2
NorthEast	91.2	91.3	87.1	86.6	86.4	85.5	84.9
SouthEast	96.3	91.9	92.9	92.9	93.4	92.2	92.2
Central Moravia	93.8	88.6	86.2	86.1	84.4	83.0	84.9
Moravia-Silesia	94.1	89.6	95.4	96.6	96.1	95.6	94.3

Source: Czech Statistical Office

Labour productivity per employee in the CR's regions NUTS III (CR's average = 100)

	1995	2000	2004	2005	2006	2007	2008
Prague	129.9	141.8	143.5	143.0	141.2	148.6	148.1
CentralBohemia r.	94.9	102.0	100.1	100.5	101.9	99.5	99.5
SouthBohemia r.	94.1	91.7	90.8	91.8	92.1	87.3	89.0
Plzeň region	96.2	91.1	92.6	89.2	91.3	90.5	87.2
Karlovy Vary region	90.2	79.3	77.2	73.9	72.6	74.2	75.2
Ústí nad Labem r.	99.7	94.1	92.2	92.9	93.4	93.0	92.0
Liberec region	88.9	90.9	80.7	86.0	84.9	81.7	81.1
Hradec Králové r.	93.1	92.7	93.2	88.8	86.7	88.1	87.0
Pardubice region	91.1	90.1	86.0	84.7	87.4	85.8	85.6
Vysočina region	92.8	88.1	90.3	91.9	90.9	88.8	88.7
SouthMoravia reg.	97.7	93.5	94.0	93.3	94.5	93.7	93.7
Olomouc region	92.4	90.4	88.7	84.5	81.3	80.6	85.0
Zlín region	95.3	86.8	83.7	87.8	87.7	85.4	84.7
Moravia-Silesia r.	94.1	89.6	95.4	96.6	96.1	95.6	94.3

Source: Czech Statistical Office

In the absolute nominal expression for 2008, the average value is CZK 461,124 million for the NUTS 2 cohesion regions, and CZK 263,500 million for regions.

Labour productivity per employee: relative position of regions NUTS II and NUTS III to the average of the CR in 2008

NUTS II Region	Relative position (CR's average = 0)	NUTS III Region	Relative position (CR's average = 0)
Prague	+10,0	Prague	+10,0
Central Bohemia	-0,8	CentralBohemia region	-0,8
SouthWest	-1,2	SouthBohemia region	-1,3
NorthWest	-2,2	Plzeň region	-1,0
NorthEast	-1,9	Karlovy Vary region	-2,8
SouthEast	-1,0	Ústí nad Labem region	-2,0
Central Moravia	-2,2	Liberec region	-2,6
Moravia-Silesia	-1,6	Hradec Králové region	-1,7
		Pardubice region	-1,7
		Vysočina region	-1,6
		SouthMoravia region	-0,8
		Olomouc region	-2,4
		Zlín region	-1,9
		Moravia-Silesia region	-1,6

Source: Czech Statistical Office

Sectoral break-up of gdp creation – regional break-up

Sectoral break-up in the Czech Republic in 2008 (%)

	Primary sector	Secondary sector	Tertiary sector
Czech Republic	2.5	37.6	59.9
Czech Republic without Prague	3.3	44.1	52.5

Source: Czech Statistical Office

Sectoral break-up in the CR's regions NUTS II in 2008 (%)

	Primary sector	Secondary sector	Tertiary sector
Prague	0.2	18.3	81.5
Central Bohemia	3.1	42.7	54.2
SouthWest	4.7	42.1	53.2
NorthWest	1.7	49.5	48.8
NorthEast	3.7	44.3	52.0
SouthEast	4.3	39.5	56.1
Central Moravia	3.4	43.9	52.7
Moravia-Silesia	1.6	49.8	48.5

Source: Czech Statistical Office

Sectoral break-up in the CR's regions NUTS III in 2008 (%)

	Primary sector	Secondary sector	Tertiary sector
Prague	0.2	18.3	81.5
CentralBohemia r.	3.1	42.7	54.2
SouthBohemia r.	5.1	42.8	52.1
Plzeň region	4.2	41.3	54.5
Karlovy Vary region	2.8	43.0	54.2
Ústí nad Labem r.	1.3	51.6	47.0
Liberec region	1.5	46.0	52.5
Hradec Králové r.	4.6	44.0	51.4
Pardubice region	4.5	43.3	52.2
Vysočina region	7.3	51.2	41.5
SouthMoravia reg.	3.1	34.8	62.1
Olomouc region	4.2	39.0	56.7
Zlín region	2.5	48.9	48.6
Moravia-Silesia r.	1.6	49.8	48.5

Source: Czech Statistical Office

Development of standard of living – Regional break up

In the last issue, we started a detailed analysis of the individual regions in the Czech Republic (within both the concept of NUTS 2 relevant to EU cohesion policy and the concept of regional arrangement) in terms of their economic and social parameters relevant to their involvement in the next programming period of EU Cohesion Policy after 2013. In today's issue, we bring the second part of this analysis as a summary of the conclusions and policy recommendations as well as topical comments of the key events of the late 2010 and early 2011 in a debate about the shape of cohesion policy.

Standard of living measured by net disposable household income per capita – historical data

Net disposable household income per capita in CZK

	1995	2000	2004	2005	2006	2007	2008
Czech Republic	78 600	113 398	136 795	143 841	155 232	169 219	181 728
Czech Republic without Prague	76 129	108 501	130 312	137 292	147 732	161 401	173 505

Source: Czech Statistical Office

Net disposable household income per capita in NUTS II region in CZK

	1995	2000	2004	2005	2006	2007	2008
Prague	97 184	150 994	187 074	194 277	212 792	228 853	243 497
Central Bohemia	80 744	118 665	147 494	152 842	165 869	181 255	193 753
SouthWest	78 312	111 855	134 867	141 518	152 526	165 672	178 534
NorthWest	75 406	105 586	121 521	127 373	137 953	147 701	159 023
NorthEast	75 821	109 140	129 584	137 434	147 322	159 953	171 711
SouthEast	75 142	107 590	131 939	138 709	147 476	163 928	175 434
Central Moravia	73 209	104 943	125 405	132 280	145 304	158 509	169 470
Moravia-Silesia	75 260	103 028	121 892	130 866	138 305	152 118	165 784

Source: Czech Statistical Office

Net disposable household income per capita in NUTS III region in CZK

	1995	2000	2004	2005	2006	2007	2008
Prague	97.184	150.994	187.074	194.277	212.792	228.853	243.497
CentralBohemia r.	80.744	118.665	147.494	152.842	165.869	181.255	193.753
SouthBohemia r.	77.354	110.459	132.149	139.075	151.520	162.969	175.619
Plzeň region	79.392	113.439	137.961	144.302	153.671	168.733	181.801
Karlovy Vary region	75.648	110.701	124.103	129.048	138.179	149.817	159.924
Ústí nad Labem r.	75.316	103.702	120.566	126.752	137.869	146.918	158.690
Liberec region	74.566	108.753	128.899	135.001	144.672	156.443	167.059
Hradec Králové r.	78.966	113.871	131.362	140.095	150.528	163.127	175.079
Pardubice region	73.460	104.338	128.239	136.611	146.095	159.501	172.030
Vysočina region	71.844	103.358	130.310	134.889	146.485	161.109	171.495
SouthMoravia reg.	76.623	109.492	132.675	140.433	147.923	165.201	177.206
Olomouc region	72.221	103.623	124.640	130.331	141.862	155.203	165.977
Zlín region	74.280	106.369	126.233	134.389	149.036	162.098	173.263
Moravia-Silesia r.	75.260	103.028	121.892	130.866	138.305	152.118	165.784

Standard of living measured by net disposable household income per capita in comparison to the CR's average in 2008 – regional data

Standard of living measured by net disposable household income per capita in comparison to the CR's average in 2008 – regional data

NUTS 2 Region	Relative position (CR's average = 0)	NUTS III Region	Relative position (CR's average = 0)
Prague	+3,4	Prague	+3.4
Central Bohemia	+0,7	CentralBohemia region	+0.7
SouthWest	-0,2	SouthBohemia region	-0.3
NorthWest	-1,2	Plzeň region	0.0
NorthEast	-0,6	Karlovy Vary region	-1.2
SouthEast	-0,3	Ústí nad Labem region	-1.3
Central Moravia	-0,7	Liberec region	-0.8
Moravia-Silesia	-0,9	Hradec Králové region	-0.4
		Pardubice region	-0.5
		Vysočina region	-0.6
		SouthMoravia region	-0.2
		Olomouc region	-0.9
		Zlín region	-0.5
		Moravia-Silesia region	-0.9

Source: Czech Statistical Office

Research and Development – Regional break up

Research and Development Expenditures as of GDP – historical data

Research and Development Expenditures as of GDP in %

	1995	2000	2004	2005	2006	2007	2008
Czech Republic	1.205	1.199	1.246	1.414	1.549	1.535	1.467
Czech Republic without Prague	1.013	1.031	1.012	1.163	1.258	1.182	1.148
CR without Prague and Central Bohemia	0.706	0.726	0.784	0.909	1.059	0.916	0.926

Source: Czech Statistical Office

Research and Development Expenditures as of GDP in NUTS 2 region in %

	1995	2000	2004	2005	2006	2007	2008
Prague	1.826	1.737	2.009	2.211	2.457	2.601	2.407
Central Bohemia	3.003	2.936	2.426	2.773	2.464	2.766	2.473
SouthWest	0.586	0.651	0.66	0.867	0.893	0.881	0.996
NorthWest	0.277	0.247	0.241	0.254	0.237	0.258	0.287
NorthEast	0.797	0.781	0.983	1.068	1.13	1.095	1.104
SouthEast	0.978	0.996	1.111	1.259	1.211	1.239	1.283
Central Moravia	0.624	0.888	0.687	1.051	0.993	0.987	0.896
Moravia-Silesia	0.775	0.601	0.78	0.706	1.695	0.768	0.715

Source: Czech Statistical Office

Research and Development Expenditures as of GDP in NUTS 3 region in %

	1995	2000	2004	2005	2006	2007	2008
Prague	1.826	1.737	2.009	2.211	2.457	2.601	2.407
CentralBohemia r.	3.003	2.936	2.426	2.773	2.464	2.766	2.473
SouthBohemia r.	0.621	0.624	0.743	0.978	0.967	0.962	1.008
Plzeň region	0.547	0.68	0.573	0.746	0.814	0.794	0.984
Karlovy Vary region	0.122	0.129	0.148	0.114	0.103	0.104	0.125
Ústí nad Labem r.	0.334	0.291	0.274	0.302	0.280	0.309	0.340
Liberec region	0.843	0.848	0.916	1.06	1.352	1.150	1.329
Hradec Králové r.	0.586	0.551	0.869	0.835	0.674	0.792	0.746
Pardubice region	1.009	0.992	1.168	1.344	1.447	1.386	1.320
Vysočina region	0.306	0.397	0.441	0.561	0.383	0.363	0.459
SouthMoravia reg.	1.267	1.250	1.394	1.552	1.555	1.602	1.619
Olomouc region	0.644	0.733	0.763	0.972	0.893	0.932	0.828
Zlín region	0.604	1.044	0.606	1.131	1.091	1.041	0.965
Moravia-Silesia r.	0.775	0.601	0.780	0.706	1.695	0.768	0.715

Source: Czech Statistical Office

Research and Development Expenditures as of GDP – regional comparison

Research and Development Expenditures as of GDP in comparison to the CR's average in 2008 – regional data

NUTS 2 Region	Relative position (CR's average = 0)	NUTS III Region	Relative position (CR's average = 0)
Prague	+6,4	Prague	+6.4
Central Bohemia	+6,9	CentralBohemia region	+6.9
SouthWest	-3,2	SouthBohemia region	-3.1
NorthWest	-8,0	Plzeň region	-3.3
NorthEast	-2,5	Karlovy Vary region	-9.1
SouthEast	-1,3	Ústí nad Labem region	-7.7
Central Moravia	-3,9	Liberec region	-0.9
Moravia-Silesia	-5,1	Hradec Králové region	-4.9
		Pardubice region	-1.0
		Vysočina region	-6.9
		SouthMoravia region	+1.0
		Olomouc region	-4.4
		Zlín region	-3.4
		Moravia-Silesia region	-5.1

Source: Czech Statistical Office

Multicriterial analysis of the Czech regions

Multicriterial analysis of the innovative potential

The multicriterial analysis of the innovative potential was carried out based on a different procedure as compared to the previous categories and indicators. It was built on the qualitative and quantitative assessment of the following factors conditioning the quality of the innovation environment: students, job attractiveness, natural advantages offered in the region (agglomeration), concentration of research and development, potential of technology centres, investments, industrial zones, project activity, institution of innovation infrastructure, macroeconomic position of the region, high-tech branches, mid-tech branches, intellectual property outputs, intellectual property costs.

The result of the detailed analysis conducted on this basis is the average score of the innovative potential, which for the sake of the output comparability will be subsequently converted into the rating range used in this analysis.

Quality of innovative potential in regions

NUTS 2 Region	Average grade (1 – the best, 5 – the worst)	NUTS III Region	Average grade (1 – the best, 5 – the worst)
Prague	1.86	Prague	1,86
Central Bohemia	2.50	CentralBohemia region	2,50
SouthWest	2.75	SouthBohemia region	2,64
NorthWest	4.07	Plzeň region	2,86
NorthEast	3.17	Karlovy Vary region	4,57

SouthEast	3.04	Ústí nad Labem region	3,57
Central Moravia	3.11	Liberec region	3,79
Moravia-Silesia	3.21	Hradec Králové region	2,71
		Pardubice region	3,00
		Vysočina region	3,93
		SouthMoravia region	2,14
		Olomouc region	2,93
		Zlín region	3,29
		Moravia-Silesia region	3,21

Source: Czech Statistical Office, own calculations

The average score of the national average in the evaluation of the multicriterial innovative potential is 2.96.

Quality of innovative potential in regions – regional comparison to the CR's average

NUTS 2 Region	Relative position (CR's average = 0)	NUTS III Region	Relative position (CR's average = 0)
Prague	+5.9	Prague	+5,9
Central Bohemia	+1.8	CentralBohemia region	+1,8
SouthWest	+0.8	SouthBohemia region	+1,2
NorthWest	-2.8	Plzeň region	+0,3
NorthEast	-0.5	Karlovy Vary region	-3,8
SouthEast	+0.7	Ústí nad Labem region	-1,7
Central Moravia	-0.5	Liberec region	-2,2
Moravia-Silesia	-0.8	Hradec Králové region	+0,9
		Pardubice region	-0,1
		Vysočina region	-2,5
		SouthMoravia region	+3,8
		Olomouc region	+0,1
		Zlín region	-1,0
		Moravia-Silesia region	-0,8

Source: Czech Statistical Office, own calculations

Multicriterial analysis of socio-economic advancement

It is appropriate to measure the level of socio-economic development of the region based on a mutually comparable and comprehensive set of indicators.

Outcome of multicriterial analysis of innovative potential in NUTS 2 regions – ranking

(sum of deviations; average = 4, eventually 12)

4 indicators	12 indicators
1. Prague – 8.779	1. Prague – 25.159
2. Central Bohemia – 4.415	2. Central Bohemia – 14.214
3. SouthWest – 4.03	3. SouthWest – 12.916
4. SouthEast – 3.797	4. NorthEast – 11.05
5. NorthEast – 3.495	5. SouthEast – 10.944
6. Central Moravia – 3.25	6. Moravia-Silesia – 10.261
7. Moravia-Silesia – 3.179	7. Central Moravia – 10.093
8. NorthWest – 2.924	8. NorthWest – 9.445

Source: Czech Statistical Office, own calculations

Outcome of multicriterial analysis of innovative potential in NUTS 3 regions – ranking

4 indicators	12 indicators
1. Prague – 8.779	1. Prague – 25.159
2. CentralBohemia region – 4.415	2. CentralBohemia region – 14.214
3. SouthBohemia region – 4.193	3. Plzeň region – 13.756
4. SouthMoravia region – 3.903	4. SouthBohemia – 12.076
5. Plzeň region – 3.867	5. Pardubice region – 11.848
6. Vysočina region – 3.691	6. SouthMoravia – 11.160
7. Pardubice region – 3.678	7. Zlín region – 10.936
8. Zlín region – 3.494	8. Hradec Králové – 10.781
9. Hradec Králové region – 3.450	9. Vysočina region – 10.728
10. Liberec region – 3.357	10. Liberec region – 10.521
11. Moravia-Silesia region – 3.179	11. Moravia-Silesia region – 10.261
12. Olomouc region – 3.006	12. Ústí nad Labem region – 9.588
13. Ústí nad Labem region – 3.003	13. Karlovy Vary region – 9.302
14. Karlovy Vary region – 2.844	14. Olomouc region – 9.250

Source: Czech Statistical Office, own calculations

Overall summary of the factors under review

Summarising the findings gathered, namely the presented focus of the rules and priorities of the future EU cohesion policy, the formulation of substantive priorities and needs of the individual regions and the quantification of their current and anticipated performance, the cohesion regions in the Czech Republic can be roughly divided into four basic groups.

The first group is formed by a single representative, the capital of Prague, which is the fifth richest region across the EU (measured by per capita GDP). Prague is a region whose priority focus is typically directed toward competitiveness, i.e. the development rather than convergence priorities. In all the observed criteria, Prague dominates the Czech Republic's regions, except for one only criterion – it is placed second behind Central Bohemia in the ratio of research and development expenditures to GDP.

Central Bohemia together with the Southeast and Southwest regions constitute the second performance category, characterised by economic underdevelopment, but, at the same time, also by a platform suitable to address even qualitatively more demanding development priorities. In particular, the existing platform and experience of dealing with research projects in the Central Bohemian and South Moravian Regions open considerable prospects for these regions also in terms of utilising the EU cohesion policy resources. On the other hand, we have not registered any major development handicaps in these regions.

The third performance group consists of the regions of Northeast, Moravia-Silesia and possibly Central Moravia, although it is not by far a homogeneous group. An important inhibiting parameter of the Northeast is, for example, the significantly insufficient investment activity in the immediately pre-crisis period, which tends to express itself in only a very slow growth performance in the subsequent period. The inhibitors of Moravia-Silesia are the parameters of the labour market, social cohesion and the existence of a number of deprived areas, while its advantage was the very dynamic growth performance in the pre-crisis period and the significant catch-up of the deficit of non-completed highway transport infrastructure from the recent period. Nevertheless, it is true that in these regions, their convergence needs so far – at least in terms of the volume of financial demands – are exceeding the development needs.

This fully applies to the last performance group, represented by the Northwest, i.e. a region which thanks to the region of Ústí nad Labem creates a relatively very large GDP in absolute terms but which has an extremely low ratio of research and development expenditures to GDP, and where the investment activity during the prosperity period had not been very dynamic as compared to the national average. The Northwest region was virtually the only region in the Czech Republic where the process of real convergence showed rather an embarrassing progression. In addition, this region is associated with significant convergence needs in the area of social and environmental priorities and in the revitalisation of neglected areas.

Convergence versus Development Priorities

Based on the content evaluation of the respective regional development strategies and outcomes resulting from the analysis and, at the same time, based on the appropriateness of addressing these needs through the EU cohesion policy instruments, the relevance of the individual regions to the convergence and development priorities can be roughly classified as follows:

Breakdown of regional priorities between convergence and development ones in %

	Convergence priorities	Development priorities (EU 2020)
Prague	10	90
Central Bohemia	50	50
SouthWest	70	30
NorthWest	65	35
NorthEast	55	45
SouthEast	50	50
Central Moravia	60	40
Moravia-Silesia	60	40

Source: own calculations and estimates

Expected cumulative GDP in 2014-2020 period (CZK mil.)

	GDP 2014 – 2020 - cumulative	% of EU-27 GDP per capita average
Prague	8,861.056	182
Central Bohemia	3,682.129	92
SouthWest	3,573.797	89
NorthWest	2,950.416	79
NorthEast	3,878.746	83
SouthEast	4,884.446	90
Central Moravia	3,181.015	82
Moravia-Silesia	3,574.724	87
Czech Republic	34,638.863	94

Source: own calculations and estimates

The initial data will be modified based on the defined potential determined by the estimated economic performance. As pointed out above, the volume of the EU cohesion policy funds approximately corresponds to 3.0% – 3.5% of regional GDP. This means that the region of Prague is excluded from this interval. Based on the calculations, values of around 3.0% of regional GDP will be assigned to more developed regions and values of more than 3.5% to less developed regions.

Estimates of absorptive capacity potential and real allocation in 2014-2020

Absorptive capacity potential of Czech NUTS 2 regions in 2014-2020

	Estimate in CZK bn
Prague	43
Central Bohemia	137
SouthWest	133
NorthWest	130
NorthEast	154
SouthEast	173
Central Moravia	145
Moravia-Silesia	149
Czech Republic	1.064

Source: own calculations and estimates

The absorptive capacity potential will undergo in reality further modifications resulting from the fact that the regions of the Czech Republic do not rank among the poorest in the EU, and the Czech Republic will pay a kind of “tax on growing richer” already in the next period. The modification is also based on the fact that our current allocation will be most likely reduced in the next period approximately by an estimated amount of EUR 4 billion, i.e. perhaps more than CZK 100 billion.

Interpretation of regional priorities in terms of the Europe 2020 Strategy and its key indicators

In the current text, we have classified regional needs into convergence, development, welfare and post-crisis needs. Besides Prague, the regions of Central Bohemia and Southeast are best prepared for addressing the qualitatively more demanding development priorities arising from both the content of the Europe 2020 Strategy and other similarly conceived development documents.

In our classification of priorities, these concern predominantly the priorities in Economic Competitiveness (the share of expenditures on research and development) and Successful Society (employment and education), and partly also Infrastructure (environmental indicators). The problem of poverty is not critical in the Czech Republic and has a rather local dimension.

Interpretation of convergence-type regional priorities

As already mentioned above, most regions will be still addressing in most cases the convergence priorities in the next period of EU cohesion policy. In terms of addressing disparities and inequalities of particularly infrastructural, but also social and environmental character, these regions include primarily the Northwest and Moravia-Silesia. The convergence need of mobility and transport infrastructure development is the common need of all regions without exception, including in some respects even Prague.

Estimates of real allocation in 2014-2020

	Estimate in CZK bn
Prague	14
Central Bohemia	76
SouthWest	73
NorthWest	70
NorthEast	85
SouthEast	95
Central Moravia	80
Moravia-Silesia	82
Czech Republic	570 – 600

Source: own calculations and estimates

The debates on the future of cohesion policy continue dynamically

The end of 2010 brought several fundamental contributions to the form of shaping the EU cohesion policy as it should work after 2013. Of great importance naturally is the October Communication of the European Commission on the EU budget review, which after its final approval and adoption, will represent the most important parameter that should answer the question: How many financial funds – in total and for individual countries and regions – will be available in the next period. For what purpose and under what scenario? – these are two additional essential questions, the answers to which are perhaps partially revealed in the November Fifth Report of the European Commission on Economic, Social and Territorial Cohesion. Moreover, also the conclusions of the December European Council regarding the enhanced coordination of economic policies and within its framework also the extension and tightening of the conditionalities – i.e. the proposed sets of conditions whose fulfilment will condition the smoothness of use, or conversely, whose non-fulfilment would lead to the application of various forms of sanctions, which would be associated with restrictions on the use of EU funds.

Finally, the very start of the year 2011 has been marked by several important activities that contributed to the clarification of the formulation of the rules and principles of the future EU cohesion policy. These include the January report on the state the EU economy and the Cohesion Forum and there will be a longer-term impact of the activities of the just started Hungarian EU presidency, to be followed by the Polish presidency – where in both countries, there is considerable interest in the progress of the cohesion policy debates. During early spring, the member states will submit to the European Commission their updated positions on this issue and by about the middle of the year, we should know the draft medium-term financial framework of the EU and the legislative proposals regarding the individual chapters of the future EU budget, including, of course, cohesion policy.

When we consider the main merit of the Fifth Cohesion Report (the content of which we will address in detail in the next issue), we have to highlight primarily the extremely valuable analytical part – with emphasis on the trends in the economic, social and territorial development, showing the connections between national policies and cohesion, the other EU policies and the cohesion policy as well as the cohesion policy actual impacts. It has been noted that the cohesion policy – albeit to varying degrees – contributed to the approximation of the differences between regions and, at the same time, to the dynamism of the whole Union – it helped the underdeveloped and backward regions as well as the highly competitive ones.

The Fifth Cohesion Report also emphasises the connection with the EU 2020 Strategy and with respecting the situation of public finances (especially in view of the tenseness of the future EU budget). It brings the already mentioned new term that will be strongly accented for the first time in the next period: **conditionality** (as an effort to punish chronic sinners while – through the performance reserve and bonus – award those who abide by the rules and behave in a disciplined way). However, the content of the criteria by which conditionality will be measured will be of great importance. The Report has also highlighted the enhancement of efficient use of the financial resources dedicated to cohesion policy and the utilisation of new innovative financial instruments, emphasising the element of return. It also underlines the strong accent on the cross-border nature of cohesion policy.

There should be very substantial enhancement of strategic planning with the aim of increasing the benefits of cohesion policy through the newly used instruments. In simple terms, it consists primarily in the effort to introduce strict budget constraints and have a clearly determined strategic framework. At the same time, there should be a significant reduction in priority areas to be supported (intervened) by the cohesion policy – this problem is solved by increasing the thematic concentration, which should focus on a small number of priorities that would flexibly reflect the specific problems of countries and regions – it has been proposed to divide priorities into mandatory and optional.

There should be radical strengthening in the evaluation of performance and results (which should not only check the effectiveness of the cohesion policy instruments, but also eliminate the possibility of its abuse). Strong emphasis will be placed on the measurability of objectives and performance indicators and an integrated approach should be applied for the individual areas of intervention. At the same time, financial management and the performance of the related procedures should be simplified. It is these areas, along with the promotion of the use of the new financial instruments and the increased emphasis on territorial cohesion that represent the expected list of innovations, which we will encounter in the future programming period when using the EU cohesion policy instruments. Other innovations include strengthening the cross-border dimension of cohesion policy, including addressing specific problems of cities and urban agglomerations, macro-regional strategies, various forms of partnership and enhanced flexibility.