

University of Economics Prague

STRATEGIES FOR REGIONAL SUSTAINABLE DEVELOPMENT

An Integrated Approach beyond Best Practices

R E G I O N E T

National report - Czech Republic

English version

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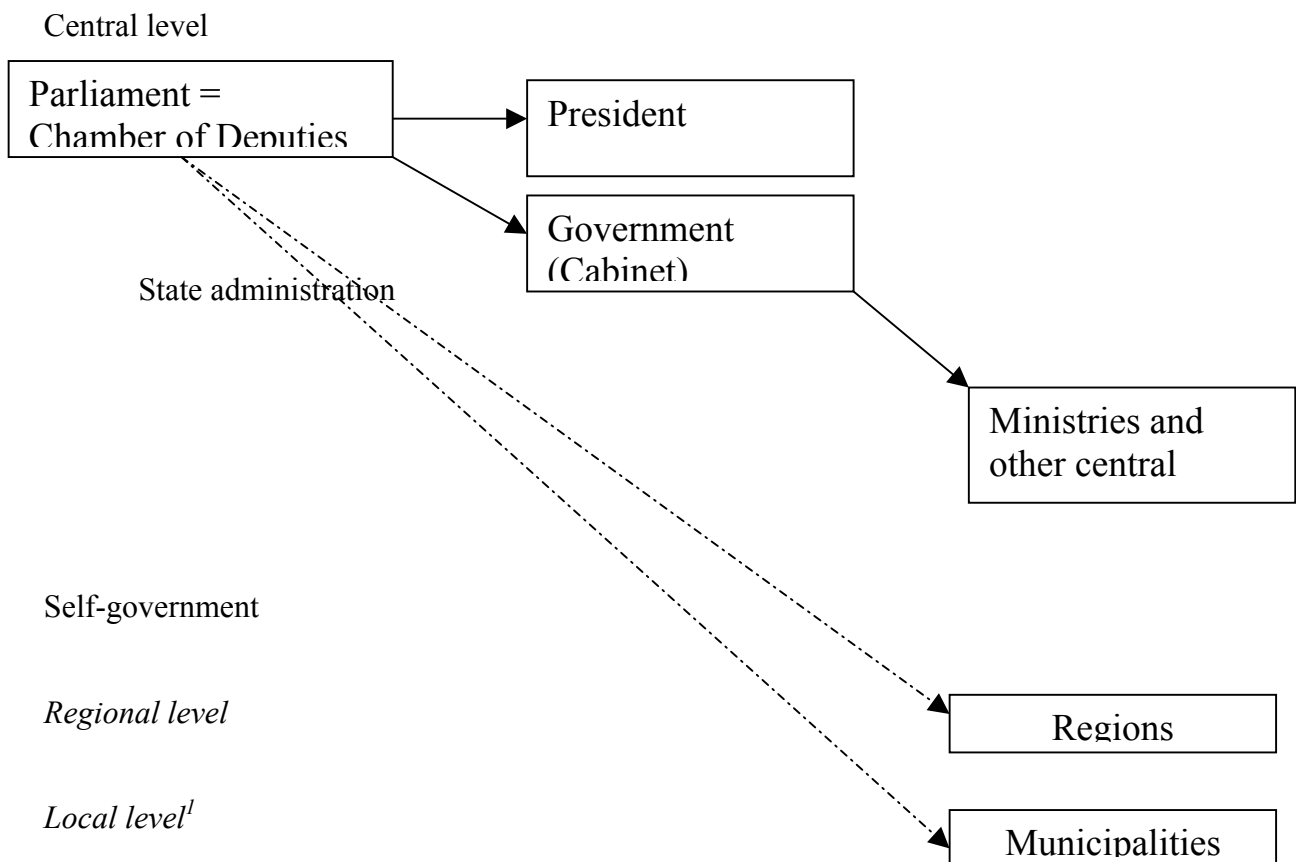
1. REGIONAL DEVELOPMENT AT THE NATIONAL LEVEL

a) Political and administrative system and hierarchy

The Czech Republic was created by the division of the Czech and Slovak Federative Republic (known throughout the world as Czechoslovakia) into two separate states in 1993. The country's history is briefly described below.

The Czech Republic's administrative structure is currently undergoing a process of transformation during which a new hierarchy of public administration is being established. The transformation process relies on several basic principles, the most important of which are democratization of public administration, institution of territorial self-governments, and implementation of the subsidiary principle.

Figure 1: Current hierarchy of the political and administrative structure of the Czech Republic's public administration



A fundamental role in implementing the concept of sustainable development is played by the state administration and local self-governments as well as by the system of governance. The government's task is to coordinate and support participation of all relevant institutions and individuals in the transformation process, whose aim is to attain sustainable development.

A prerequisite for effective implementation of the concept of sustainable development is cooperation between relevant institutions from the economic, social, and environmental fields—whether sustainability is regarded in the narrow, i.e. "environmental," sense or in the broader sense that relies on the concept of "three pillars"—environmental, economic, and

¹ Simplified, it includes only three basic levels of public administration in the Czech Republic. Judiciary is excluded.

social. At present, the "advocate of sustainability" in the Czech government is the Ministry of Environment; in the realm of the developing civil society, sustainable development is promoted by non-governmental organizations specializing in environmental protection.

On June 30, 2003, governmental resolution No. 778 was adopted. This resolution established the Governmental Council for Sustainable Development. The government appointed the Vice Chairman of Research and Development, Human Rights and Human Resources to also act as the head of the Governmental Council for Sustainable Development. This newly established council will partially continue the work of the now defunct Council of the Government of the Czech Republic for Social and Economic Strategy.

Although at times perceived as being somewhat contradictory to the notions of development of individual sectors, regional development in the Czech Republic has suitable preconditions for gradually meeting the objectives of sustainable development. Especially important in this regard are all components of regional governments, that is, regional assemblies, councils, superintendents, and offices.

b) History of regional development

Administrative regions—territorial units of public administration

The territorial and administrative development of Czech Lands can be traced to the Great Moravian Empire that existed during 830-907. This early medieval state, which encompassed Moravia, Western Slovakia, Bohemia, Silesia, Panonia, and Lower Austria, had no officially recognized borders.

The Premyslide State, which lasted from 885 to 1306, comprised Bohemia (excluding the Cheb and Kladno regions and temporarily including the Budyšín, Zhořelec, and Vitoraz regions), Moravia, and a part of Silesia. It began as a principality that relied on a temporary system of granted principalities in Moravia. In 1212, the entity became a hereditary kingdom. The Luxemburg Dynasty, whose reign in Czech Lands began in 1310, laid down the foundation of the administrative structure of the subsequent so called Lands of the Czech Crown (or Lands of the St. Wenceslas Crown).

The most important figures behind the existence of the medieval Czech state were the Premyslide rulers and Charles IV (1346-1378). The state was a sort of federation or confederation consisting of one main entity—the Czech Kingdom—and three secondary components—the Moravian Margrave, Silesia, and Upper and Lower Lusatia.

From the medieval ages to 1806, the Czech Lands were a member of the central European ensemble of states that belonged to the Holy Roman Empire. Between 1526-1918, the Czech Lands, together with the territory of present Austria and some neighboring territories (Hungary), were a part of the Habsburg Monarchy.

As part of Maria Theresa's effort to centralize the Habsburg Monarchy, the administrative autonomy of Czech Lands (Lands of the Czech Crown) as a *de jure* territory was abolished in 1749. Creation of the Austrian Empire in 1804 did not change the status of the Czech Lands. Further, no change occurred after dualization of the state into Austria and Hungary of which the Czech Lands were part during 1867-1918.

During all historical periods, the Czech Lands comprised territories that had the nature of states and lower administrative units— in the beginning tribal territories, and then estates and regions, domains, and in modern history, districts and municipalities.

The year 1918 brought promulgation of a sovereign Czechoslovakia (Czechoslovak Republic—the so-called "First Republic"). This state comprised Bohemia, Moravia and Silesia (the two were joined in 1927 to form the Moravia-Silesia), Slovakia, and from 1919 also Subcarpathian Ukraine, which had a substantially different socioeconomic structure. The new republic adopted the administrative structure of the former Austro-Hungarian Empire.

During 1918-1928, the western part of the country had a provincial system, whereas Slovakia and Subcarpathian Ukraine used regional administration. The middle and lowest levels of public administration were districts and municipalities, respectively. On January 1, 1928, the country was divided into four units—Bohemia, Moravia-Silesia, Slovakia, and Subcarpathian Ukraine.

During 1938-1939, areas close to the German border were separated, named Sudetenland, and attached to Germany. Poland annexed the Těšín region, Subcarpathian Ukraine and Slovakia gained autonomy, and the country's name was changed to Czecho-Slovakia (1938). When the Czech Lands were subjected to German occupation in 1939, the Protectorate Bohemia and Moravia and the Slovak State were established; the latter was a republic.

In 1945, the Czechoslovak Republic was reinstated in its original borders, except that Subcarpathian Ukraine was ceded to the Soviet Union. The year 1949 brought an end of the country's provincial structure, which was replaced by 19 regions structured into 364 districts. The Czech Republic had 14 regions, including the City of Prague, and 179 districts. The new administrative system disregarded the structure of the original provincial borders. By 1945, administrative offices were replaced with a system of national committees.

Creation of the Czechoslovak Socialist Republic (ČSSR) in 1960 resulted in yet another change of the public administration system. The number of regions was reduced to 10. The Czech Republic had seven regions containing 75 districts. In 1969, Czechoslovakia became a federation consisting of the Czech Socialist Republic and Slovak Socialist Republic.

In 1990, as part of a process disassembling the socialist regime and initiating an economic and social transformation, the Czechoslovak Socialist Republic was renamed the Czechoslovak Federative Republic. Subsequently, heeding Slovakia's calls for increased sovereignty, the country was renamed the Czech and Slovak Federative Republic (CSFR). Under the Act on Municipalities, regional national committees were abolished, and regions functioned as units used for statistical purposes only.

On January 1, 1993, the country was divided into the sovereign Czech Republic and the sovereign Slovakia. The Czech Republic comprises Bohemia, Moravia, and Czech Silesia—lands and territories that have historically belonged to Czech Lands. The total number of districts, where district offices were active, was 73. Further, the magisterial cities of Prague, Pilsen, Brno, and Ostrava also had the status of a district.

According to a law² adopted in 1997, it was decided that 14 higher territorial self-governing units—regions—would be created in the Czech Republic as of January 1, 2000. Individual regions were delimited by the area of districts that, at that time, formed the territory of particular regions. Namely, the following regions were created— the City of Prague, Central Bohemian Region, South Bohemian Region, Pilsen Region, Karlovy Vary Region, Ústí Region, Liberec Region, Hradec Králové Region, Pardubice Region, Highlands Region, South Moravian Region, Olomouc Region, Moravian-Silesian Region, and Zlín Region.

² Act No.347/1997 Coll. on Establishment of Higher Territorial Self-Governing Units and Amendment to Constitutional Act of the Czech National Council No. 1/1993 Coll., the Constitution of the Czech Republic. Amendment: 176/2001 Coll.

District offices were closed down in 2003. Most of the former district office functions have been taken over by municipalities with extended jurisdiction (Level III municipalities) and some by regions.

To ensure the correct function of the public administration during the transformation process, various branches of central authorities have been established; these were mostly built on the formerly existing structure of regional authorities. An example of this effort is the creation of local branches of the Ministry of Environment (MŽP ČR) in 1990, which roughly copied the regional structure and reflected the need to resolve serious environmental problems in individual regions (especially Northwest Bohemia and the Ostrava area). Another example of the delimitation of public administration in regions is the creation of regional centers of the Ministry for Regional Development (MMR ČR), the entity responsible for local land planning. The Czech Ministry of Interior is responsible for the transformation of public administration.

Authorities in border areas that face economic, social, and environmental problems transcending state borders have established so-called Euroregions, which are coordinated by the Association of European Border Regions. At present, 17 such regions are registered in the Czech Republic. Originally, Euroregions were set up along the borders with EU member states, first Germany and later Austria. In recent years, there has been an upsurge of new Euroregions created along the Czech Republic's border with Poland and Slovakia.

Euroregions include the Bohemian Forest (Germany), Ergensis—Karlovy Vary (Germany), the Ore Mountains—Most (Germany), Labe—Ústí nad Labem (Germany), and Nisa—Liberec (Germany and Poland). In addition, Euroregions established along the Polish border include Glacenzis—Rychnov nad Kněžnou, Praděd, Silesia, Těšín Silesia, and Beskids, and along the Slovak border the Pomoraví Region (together with Austria), White Carpathian Mountains, and Beskids. Two Euroregions have been set up on the Austrian border—the Bohemian Mountains and Silva Nortica. Euroregions have the status of an association, and their operations are funded by member municipalities and funds provided under the PHARE program.

In connection with the Czech Republic's preparations for accession to the EU, Act No. 347/97 Coll. on Delimitation of Regions and Government Resolution No.707/98 defined the nomenclature of units of territorial statistics—NUTS (Nomenclature des Unités Territoriales Statistiques).

Delimitation of NUTS in the Czech Republic:

The entire Czech Republic has the status of NUTS 0 and NUTS I.

There are eight NUTS II regions, which mainly fulfill a statistical function³ and play an important role in the sphere of structural and regional policies. These NUTS are composed of one or more regions. They are Prague (Prague Region), Central Bohemia (Central Bohemian Region), the Southwest (South Bohemian and Pilsen Regions), the Northwest (Karlovy Vary and Ústí Regions), the Northeast (Liberec, Hradec Králové, and Pardubice Region), the Southeast (Highlands and South Moravian Regions), Central Moravia (Olomouc and Zlín Regions), and Ostrava Region (Moravian-Silesian Region).

The NUTS III level corresponds to the territory of individual regions.

The NUTS IV level corresponds to districts (today only territorial districts).

³ This is not an administrative level in the traditional sense, although some authorities exist at this level. Their purpose is to fulfill tasks related to issues of economic and social cohesion. Cohesion regions (NUTS II) are defined in Act No. 248/2000 Coll. on Assistance for Regional Development.

The NUTS V level corresponds to municipalities.

Figure 2: NUTS in the Czech Republic

c) National sustainable development initiatives

One of the first official documents, which shortly after November 1989 explicitly mentioned the principle of sustainable development, was the Ministry of Environment's Rainbow Program of 1990. In this document, the principle of sustainable development was interpreted in the traditional, narrow manner in harmony with law No. 17/1992 pertaining to the environment.

However, the first official document of a more comprehensive nature, the "*State Environmental Protection Policy*" of 1995, does not explicitly mention this concept. Sustainability was reinserted into this document in 2001, when it was already considered one of its basic cornerstones.

At an extraordinary meeting of the General Assembly of United Nations in New York in 1997 (so-called Rio+5, Program for Continuation of Implementation of Agenda 21), the Czech Republic explicitly agreed to prepare a national strategy of sustainable development by the year 2002.

The "National Strategy of Sustainable Development in the Czech Republic" [Moldan et al 2002] was completed in January 2002 by a team from the Center for Environmental Issues at Charles University, headed by B. Moldan. The document was completed with participation of a number of Czech specialists from various fields. The material is a part of the outcome of a UNDP project titled *K udržitelnému rozvoji České republiky – vytváření podmínek (Toward Sustainability in the Czech Republic—Building National Capacity for Sustainable Development)*.

The national strategy of sustainable development concentrates on improvement of the quality of life, preservation and improvement of the Czech landscape, judicious utilization of natural resources, and implementation of global aspects of social, environmental, and economic sustainability.

The document reflects suggestions of participants at three workshops held during 1999-2002. Among others, the draft of the Czech national strategy of sustainable development was presented during a working seminar of the Government Council for the Social Strategy (RASES) and debated in an extraordinary meeting of the Environment Ministry's Council for Sustainable Development. Subsequently, the material was presented for a discussion at a conference titled "Strategy of Sustainable Development in the Czech Republic" held in Prague in December 2001.

An alternative comprehensive document on the strategy of sustainable development in the Czech Republic was prepared at the Czech Ecology Institute by a team headed by J. Seják [2002]. Work on the strategy was intended to contribute to the formulation of the government's policy in the area of sustainable development.

Furthermore, various aspects of sustainable development were discussed in a study titled "*Vision of Development of the Czech Society up to the Year 2015*" completed by a large team of Czech specialists headed by Professor Potůček. This study was conducted by the CESES under the administrative umbrella of the Faculty of Social Sciences at Charles University.

National initiatives aimed at ensuring sustainable development at the national level also include work done by the Association of Industry and Transport and other organizations from the private sector, which have drafted several documents that emphasize measures concentrated on sustainable development. Other activities include work of the Czech Business Council for Sustainable Development and initiatives of numerous non-governmental organizations and academic institutions.

None of the strategies of sustainable development were approved by the parliament. This was due in part to the fact that the strategies were focused primarily on the environment. One of the tasks of the above-mentioned Czech Republic's council for the environment will be to work out such a strategy.

2. SUSTAINABLE DEVELOPMENT AT THE REGIONAL LEVEL

a) National initiatives targeting sustainable development in regions

To some extent, principles of sustainable development have been used in the *"Regional Development Strategy"* adopted by the Czech government in 2000. In this strategy, the notion of sustainable development was, for the first time, officially interpreted in a broader sense – socioeconomic development interlinked with environmental issues. This document is supposed to be actualized in three-year cycles (for the first time, in 2003).

Sustainable development at the regional and local levels is gradually focusing on the creation of sustainability indicator sets. Work in this area is being performed at the European and national levels as part of activities that stem from the Aalborg Charter (1994) and the Communiqué on Sustainable Development of Cities in the European Union (1998). A report on the current state of affairs titled *"Toward a Profile of Sustainable Local Development: Joint European Indicators"* was published in 2000.

In the Czech Republic, a project titled *"Indicators for Sustainable Development of Cities and Municipalities in the Czech Republic"* is currently being completed by the Regional Environmental Center for Central and Eastern Europe, the Center for Environmental Issues at Charles University, the Ecopolity Institute, the Koniklec Agency, and the Czech Karst Protected Landscape Region.

To keep pace with the new trends in regional policy and administration, there have been attempts to update associated information systems. From 1999 – 2001, the Czech Statistical Office (ČSÚ) published *"Regional Portraits"* and from 2001, *"Regional Annual Statistics"*. ČSÚ participates in the evaluation of five cities (Praha, Brno, Ostrava, Plzeň and Ústí nad Labem) which participate in the "Urban Audit II" project (work program for candidate countries, phase 2).

In November 2001, the regional development section of the Czech Republic's MMR published the following document: *"Regional and Sectoral Analysis of Environmental Issues"*. This document was used to work out various development programs, operational programs and a national development plan.

Development concepts and documents

On national and regional levels, various documents have been created to analyze individual sectors and their respective issues. The creation of these documents is often required by the law; the entities responsible for this process are the State, regions and statutory cities.

One of the key documents involved is a program document called the "National Development Plan" [MMR 2003]. This document is the basic position document for the EU; because of this fact, it is also a part of the Czech Republic's preparation to use the tools of EU structural policy (see details later in this report).

In the Czech Republic's urbanized landscape, cities have the key position. With regard to sustainable development, urban areas need to be monitored in respect to the quality of environmental conditions and long-term socioeconomic trends. Many regions, towns and municipalities have worked out strategic programs, which follow the guidelines of Local Agenda 21. A database of these towns is available at www.ma21.cz.

Rural landscape in the Czech Republic mostly comprises agricultural land. According to the *Statistical Yearbook of the Environment* [2000], agricultural land accounts for more than one half (54%) of the territory within the Czech Republic. With regard to agricultural land, more and more attention is being paid to its non-production functions (soil protection, hydrological

functions, etc.). The importance of these functions has increased after the extensive floods, which occurred in 1997 and 2000.

Forests cover approximately 33% of the Czech territory. In addition to their valuable production functions, their non-production function role is critically important from the viewpoint of sustainable development—similarly as is the case with agricultural land. The *National Forestry Program*, which includes plans for renewing forests and increasing their ecological stability and multifunctional potential, is the basis of sustainability as far as forestry management is concerned.

The objective of the Proposal of National Strategy of Sustainable Development [Moldan 2002], which is linked with regional sustainable development, is the gradual optimization of the landscape care model and its exploitation. It is also one of the priorities of the State Program of Nature and Landscape Protection [1998].

Of all the sectors of the economy, focus is placed most on restructuring industry and transport, especially transport between cities and interstate transport.

Transportation, specific transport solutions, and their positive and negative impact on the environment are some of the most important issues addressed by sustainable development strategies at the national, regional, and local levels.

Additions will have to be made to the *Transportation Policy of the Czech Republic* [1998] and the approved *Government Concept of Transport Infrastructure* [1999] in order to incorporate sustainable development objectives. In this regard, the Czech and Slovak Transport Club has prepared an alternative document titled "*Alternative Proposal for Development of a Network of Highways*" [1998] which, among others, supports development of the railway infrastructure and possibilities of developing transportation in the Czech Republic from the viewpoint of sustainable development in general. Adoption of this document or another transport policy based on the sustainable development principle is a necessary part of the overall strategy of sustainable development.

Tourism is an activity whose economic importance and affect on the landscape continue to grow. According to data collected by the Ministry for Regional Development (2002), tourism and related sectors currently account for 9-11% of the Czech GDP and provide 9-10% of all employment opportunities.

The *Concept of the State Tourism Policy of the Czech Republic* [Ministry for Regional Development, 1999] somewhat one-sidedly emphasizes economic benefits, failing to take into consideration the potential degradation of the landscape. The basic prerequisite is that functional, regional or local management should promote development of tourism in a sustainable manner.

Other relevant concepts were worked out for the energy sector, emissions and emissions reduction, environmental education, wastes and the protection of nature.

Regional definition

A few types of regions, based on functions, exist in the Czech Republic. Most of them are regions, created for the following purposes: to protect the environment, to protect nature and landscapes, to solve economic problems, to develop cross-border relationships, and to support the development of statistical information systems and regional policy.

Ecological regions were defined based on formations that already existed in nature, the potential of territory, the concrete quality of the environment, and so on. The size of these ecological regions depends on the selection of the evaluation criteria. At present, the

classification of territory based on NATURA 2000 is important for the Czech Republic because it will include 15-20% of the territory within the Czech Republic.

The systems of ecological stability serve to ensure general nature and landscape protection. These systems are represented by a system of bio-centers or bio-corridors. These systems define a network of environmentally important parts of the landscape. These parts represent all vegetation levels of a particular region and the requirements of a sustainable gene pool.

The systems establish a basis for the concepts of nature and landscape protection at every level of the state administration. Based on the hierarchy of bio-geographic units, these systems are defined as biospheric, provincial, supra regional, regional and local. The territorial system of the landscape's ecological stability is defined in a small number of acts.

Within the definition of so-called special nature protection, based on legal provisions dealing with nature and landscape protection (Act No. 114/1992 Coll. and Act No. 334/1992 Coll.), there are *large protected areas* declared in the Czech Republic – national parks and protected landscape areas. There are four national parks within the territory of the Czech Republic: Krkonošský národní park, Národní park Šumava, Národní park Podyjí, and Národní park České Švýcarsko. In addition to the large protected areas, there are also *small protected areas*.

A few of the Czech large protected areas received the status of biospheric reservation, a UNESCO declaration. These areas include Křivoklátsko, Třeboň, Pálava, Šumava, Krkonoš, and Bílé Karpaty.

b) Regional and local initiatives targeting sustainable development

Municipalities, as basic administrative units, create Municipal (City) Development Programs. These programs are fundamental strategic documents that describe the vision and philosophy of long-term development; as such they also target environmental protection and sustainable development in general. In practice, these documents focus specifically on socioeconomic development and the comprehensive questions of sustainable development are left aside.

Similar programs are gradually being created at the regional level. First of all, these programs are represented by the regional conceptual documents (the preparation of which is required by law) or by conceptual documents of independent cities. These include, for instance, territorial energy concepts, emissions and emissions reduction concepts, environmental education concepts and wastes concepts. Cooperation among individual units, either vertical or horizontal, requires the establishment of elementary conceptual documents. These documents also include passages dealing with the environment (waste treatment, resolution of transport issues, etc.). Examples, such as the creation of Euroregions or the Association of Municipalities and Towns Orlice or Czech Karst, were declared.

Participation in the WHO initiative “Healthy Cities” and in Local Agenda 21 (Czech Gate 21) are examples of voluntary initiatives at the regional and local levels. Many cities in the Czech Republic, as well as the Highlands region, participated in these initiatives.

c) Structural funds and sustainable development

After joining the European Union, the Czech Republic will be able to use instruments of the EU's structural and regional policy in addition to the existing range of instruments that are available to the central government and local self-governments.

Starting in the 1980s, the EU's structural and regional policy has been based on objectives supported by structural funds. The original six objectives have been reduced to the current three:

Objective No.1: *Promoting development of and structural changes in lagging regions (assistance for lagging regions)*. Assistance in this area is available to NUTS II regions whose average GDP per capita during the past three years, measured by purchasing power parity, is below 75% of the average GDP per capita in the EU. All regions in the Czech Republic, with the exception of Prague, qualify for this objective.

Objective No.2: *Support of economic and social conversion of areas facing structural difficulties (assistance for structurally problematic regions)*. This assistance is available to NUTS III regions that face the following types of problems:

a) *problems in the industrial and service sectors*: the average unemployment rate in the past three years is higher than the average unemployment rate in EU member states (about 10%); employment in the industrial sector after 1985 has been higher than the EU average; there has been a noticeable decline of employment in the industrial sector in comparison with 1985;

b) *problems in rural areas*: the population density is lower than 100 persons per square kilometer; the number of persons employed in the agricultural sector is higher than double the EU average;

c) *problems in urban areas*: the long-term unemployment rate is higher than the EU average; there is considerable environmental pollution, high crime incidence, and a low level of education;

d) *regions dependent on fishing* affected by a crisis.

Subsection “c” will be used in selected areas of the City of Prague. This area includes approximately 40% of Prague’s territory, in which about 30% of Prague’s citizens live.

Objective No. 3: *Support for adaptation and modernization of education, training, and employment policies and systems*. Assistance is available to regions that qualify under Objective No.1.

This objective will be used in (all) areas of the City of Prague.

Preparation of the future use of EU structural funds (particular preparation of program documents and some aspects of the future realization of programs particularly in regards to regions) will be mentioned in the next chapters.

Up to now, several pre-accession programs, co-financed by the EU as a part of aid to candidate countries, have been accomplished within the Czech Republic. These programs include: the SAPARD program (Special Accession Program for Agriculture and Rural Development), PHARE (Pologne-Hongrie Actions pour la Reconversion Economique). These programs have prepared the Czech Republic for funding from structural funds. The last pre-accession program, ISPA (Instrument for Structural Policies for Pre-Accession), represents a pre-step for the Cohesion Fund.

The Czech Republic's participation in the SAPARD Program is secured based on a multiyear financial agreement that defines the technical, legal, and procedural aspects of the program. The agreement was signed in February 2001. In the Czech Republic, the program is within the jurisdiction of the Ministry of Agriculture and the Ministry for Regional Development. The Czech Republic can draw up to EUR 22 million annually. The funds will be disbursed for projects targeting agricultural and rural development at a 2:1 ratio.

Projects creating revenues are financed as follows—EU 37.5%, CR 12.5%, and applicants 50%. As to projects that do not create revenues, financing is as follows—EU up to 75%, CR 25%, and applicants the remainder. In exceptional cases, 2% of assigned funds can be used by

the EU to finance up to 100% of the cost of measures targeting technical and specialized assistance.

The ISPA Program focuses on supporting investment projects that improve infrastructure, environmental conditions, and transport networks that are part of trans-European corridors. Candidate countries are given investment assistance for implementation of EU legislation in the area of environmental protection (water and air pollution, waste management, etc.) and construction, reconstruction, and interconnection of national transport networks, whose quality and sufficient capacity is necessary for economic growth.

The Czech Republic has been allotted up to EUR 70 million annually. Submission of projects is in the jurisdiction of the Ministry of Transport and Communications and the Ministry of Environment. The National Coordinator (NIC) is a Deputy Minister for Regional Development appointed by the Minister of Finance. He is responsible for the preparation, implementation, and monitoring of projects. In addition, he is the Chairman of the ISPA Monitoring Committee. Assistance can be provided as a non-repayable subsidy, a repayable subsidy with a low-interest rate, a combination of repayable and non-repayable subsidy, or a contribution partly covering the interest on commercial loans. The total amount of assistance may be up to 75% of the total cost of execution of a project.

Assistance under the PHARE Program has been disbursed since July 1989 based on a decision made by the Council of Ministers of European Communities. Originally provided to Poland and Hungary, assistance has been extended to other countries, including the Czech Republic. Three components of the PHARE program apply to the Czech Republic: National PHARE programs, Programs of cross-border cooperation (CEC PHARE), and Multinational PHARE programs.

Multinational PHARE programs provide support for cooperation efforts and preparations of candidate countries for accession to EU. Individual candidate countries cooperate during implementation of these programs.

Transfrontier cooperation programs were launched in 1994 with the aim of supporting bilateral or trilateral (Nisa) cross-border cooperation in regions of Central and Eastern European countries. These programs concentrate on providing assistance to border regions that face specific development problems. The programs will be gradually transferred under INTERREG, a program that supports transfrontier cooperation in EU member states. Since 2000, the EU has paid EUR 19 million under PHARE CBC programs.

The national PHARE program has been prepared in cooperation with the European Commission. Between 1990-2000, a total of EUR 722.5 million was allotted to the Czech Republic (CZK 24.5 billion). The current organization of the program reflects changes in the system of disbursing assistance under PHARE that were made in 1998.

The Ministry of Finance has established the National Fund, which oversees administration of the flow of funds disbursed under pre-accession assistance programs; this includes: submission of financial reports, transfers of funds, and internal financial audits. The National Fund is headed by the National Approving Officer (NAO), who is also a Deputy Minister of Finance. To ensure a clear connection between the pre-accession process and the use of PHARE funds, the position of National Assistance Coordinator has been established. The coordinator is the First Deputy Minister of Finance who is responsible for preparation of the program, overall coordination of pre-accession assistance, and monitoring of utilization of disbursed assistance. The executive body of NAC is the Foreign Aid Center at the Ministry of Finance. Further, several implementation agencies (IA) have been set up; these are tied to individual ministries that have been approved for specific NAO programs. Agencies are

responsible for the administrative management of projects, contracting, and disbursing funds for projects in their jurisdiction. Every agency is headed by a Program Approving Officer (PAO). The Joint Monitoring Committee (JMC) is the body responsible for coordination of pre-accession assistance. Its task is monitoring the implementation of programs and projects from the viewpoint of attaining objectives set in Financial Memoranda.

3. MULTI-LEVEL ROLE OF PUBLIC ADMINISTRATION

a) Regional issues and cases which involve EU, national and sub-national coordination

Regional development in the Czech Republic takes place at three basic levels, including the state, the region and the municipality; it is secured by the state, regional and municipal bodies or by organisations reporting to them. The regional policy pursued by the state is increasingly influenced by the structural policy of the EU. At present, the first stage of public administration transformation is nearly finished in the Czech Republic; this should create better conditions to receive EU financial resources.

Since 1989, at the start of the democratic period, a lot of changes have happened in the Czech Republic. These changes have fundamentally influenced development within the existing Czech regions. In some regions, a shift away from the concentration on mining and heavy industry towards more environmentally friendly sectors has occurred. However, even though this positive shift has happened, today there remains an open question regarding the future economic development of these regions. These regions suffer from environmental damage, and high unemployment; in addition, they often have an elderly workforce with outdated and obsolete skills. These areas are, for example, the regions of Most and Ostrava.

The environmental condition of most of the regions within the Czech Republic was very poor at the beginning of the 1990s (with the probable exception of large protected areas). The forests in Jizerské hory were heavily damaged due to very poor air quality. This was also the case with some other mountain ranges in the so-called Black Triangle near the border of the Czech Republic, Poland and former East Germany. Air protection policy, coordinated at the beginning of the 1990s, particularly on a national level, was very efficient; this resulted in a substantial improvement in air quality throughout the Czech Republic (it is necessary to note that air quality in the Czech Republic still has not reached the average level with the EU).

At present, the most striking issue throughout the Czech Republic in the field of environmental protection, is the poor quality of water in rivers and streams. This situation is caused by a lack of sewage disposal plants, especially in smaller towns and villages; the situation was made even worse as a result of the August 2002 floods. Within the support of the ISPA program, a large amount of EU financial resources was dedicated for the enhancement of a water treatment infrastructure (sewage systems, treatment plants). Water protection is also supposed to have a high priority within the Cohesion Fund (this fund will replace the ISPA fund)

Other problems of regional sustainable development include: high-energy consumption, increased transport and solid waste treatment, etc.

Even though all of these problems have a regional character, they require coordination from the state; they are also coordinated by the EU. This enables an additional multi-dimensional development of regions. As a part of the support from pre-accession EU funds, a large amount of money was transferred to the Czech Republic. This funding substantially helped to re-cultivate, restructure and reconstruct much of the territory.

Institutional coordination of the utilization of pre-accession funds

Since 1991, under an associated EU membership, people in the Czech public administration system have been getting gradually familiarised with EU policy and learning how to proceed (in the future) in drawing finance primarily from the EU Structural Funds for sustainable development. Experience from the EU pre-accession programs PHARE, SAPARD and ISPA has been especially useful in this way. Numerous education and training activities have been carried out, particularly under the PHARE program. Taking into account the accession of the Czech Republic to the EU in May 2004, intensive legislative, programming and institutional preparation is now under way with a view to ensuring that funds for sustainable development are available.

The entire process was, of course, affected by a whole range of other problems and complications. Various bodies were established and abolished, part of them being intended as temporary or provisional bodies, as dictated by the context of public administration reform. For example, there were the following regional development bodies at the national level:

The National Program Committee and Monitoring Committee for the economic and social cohesion area (NPC/MC - ESC). These committees were designed to ensure over-all coordination of the preparation and monitoring of all activities needed for the country's participation in the system of economic and social cohesion policy; their task also was to coordinate the EU program and support preparations for the use of Structural Funds. Both committees had the same members, the only difference being that representatives of the European Commission attended the meetings of the Monitoring Committee. This structure was created as a response to the European Commission's request.

Regional Management and Monitoring Committees (RŘMV) were established for each NUTS II region on the basis of the Czech Government Resolution No. 40/99, in compliance with the applicable regulations of the European Union. The Regional Management and Monitoring Committees' activities were focused on the preparation, evaluation and approval of the Regional Operating Programs (ROPs) and, subsequently, on the implementation and control of that program document within the meaning of the applicable European Commission regulations. These Committees worked for a limited period of time. On the basis of Act No. 248/2000 on Support to Regional Development, these Committees were replaced by the Regional Councils (or the Regional Assemblies) and by the Regional Development Committees.

b) Multilevel interactions among the different stakeholders

The following major entities are currently involved in sustainable development in the Czech Republic:

Legislative bodies of the state (Chamber of Representatives and Senate);

Executive bodies of the state and bodies derived from them (the Government, central administration offices and organisations reporting thereto);

Regional Councils (NUTS II level) to implement the economic and social cohesion policy;

Self-government bodies (at regional and municipal levels);

Advisory and coordinating bodies (the Managing and Coordinating Committee, Regional Development Committees);

Development agencies with national or regional powers (for example, the Business Development Agency, CzechInvest, CzechTrade, Czech Tourism Centre, individual regional development agencies);

Economic and agrarian chambers, special-interest associations, employee and employer organisations, agencies;

Public sector institutions (schools, health and social facilities, cultural institutions etc.), non-governmental non-profit organisations;

Non-governmental, non-profit organizations;

Private sector entities.

Competences of the Czech Ministry for Regional Development

The powers and competences of the central bodies (Ministries) in the area of support to regional development are defined by the so-called Competence Act (Act No. 272/1996). The Czech Ministry for Regional Development holds direct competences in this sphere.

These competences are defined in Section 14 of that Act: “The Ministry for Regional Development is a central body of state administration in matters of regional policy, including regional support to business, the housing policy, development of the housing stock (houses and flats) and leases of residential and non-residential space, matters of development planning, construction policy and tourism. The Ministry for Regional Development manages the funds designed for securing the housing policy and the regional policy of the state. It coordinates the activities of Ministries and other central bodies of state administration in respect to securing the housing policy and the regional policy of the state, also including coordination of the financing of these activities (unless it manages such funds itself).”

Competences of other Ministries

Support to regional development is a multi-sector area. A number of Ministries are responsible for activities that more or less closely relate to the issues of regional development. The individual Ministries (including the Ministry for Regional Development) are required to do the following in the areas for which they are responsible:

Contribute to narrowing the differences between the levels of different territorial units;

Analyse the differences between regions and (former) districts;

Cooperate with each other and with regions in defining the regional development strategy and state programs of regional development;

Cooperate with regions in drawing up the development program for the territorial unit of each particular region.

The following branches or areas are involved under the individual Ministries (at the central level):

Ministry of Finance (MF) – investment or non-investment subsidies, ensuring the general financial relation between the national budget and municipalities’ and regions’ budgets (support to regional and local development);

Ministry of Agriculture (MZ) -- and its agrarian policy and programs implemented in the agro-industrial complex (with links to rural development), and support to water management (including sewage disposal and treatment);

Ministry of Industry and Trade (MPO) -- and its support to small and medium enterprises; industrial policy and investment incentives (support to structurally disadvantaged regions);

Ministry of Transport (MD) -- transport policies, development of resident traffic (public transport);

Ministry of Labour and Social Affairs (MPSV) -- and the active employment policy (support to regions affected by a high unemployment);

Ministry of Culture (MK) -- with support to cultural heritage (urban heritage reservations and zones, rural heritage reservations and zones, support to the development of towns and rural areas);

Ministry of Education, Youth and Physical Culture (MŠMT) – the financing of universities, support to science, research and development;

Ministry of Health (MZd) -- and its cooperation on the allocation of funds from the national budget to the budgets for health facilities under the competence of the territorial bodies (balanced distribution of basic health facilities). Definition of the national priorities focused on the improvement of the Czech population's health;

Ministry of Environment (MŽP) -- and the definition of, and support to, regions affected by adverse environmental effects (one of the greatest regional issues in the Czech Republic). Allocation of funds from the Czech State Environmental Fund;

Czech Statistical Office (ČSÚ) – provision of regional statistical data needed for analysing the territories and delineating the regions to be supported;

Office for Protection of Economic Competition -- On the basis of Act No. 59/2000 on Public Support, this body grants exceptions from public support. This may also include exceptions in respect to public support of a regional nature (to encourage economic development of regions with a particularly low standard of living or high unemployment).

Currently, however, attention is focused primarily on the issues of the medium level of public administration – involvement of regions in the process of implementing the economic and social cohesion policy – using financing from the European Communities' Structural Funds.

Responsibility for the use of financing from the Structural Funds is borne by the state (as required by the European Union). Accordingly, all powers available to regions, and/or bodies reporting to the regions, are held by them as delegated powers.

On the basis of the Act on Support to Regional Development, the so-called Regional Councils were established in the Cohesion Regions (NUTS II – support under Objective 1 is provided to these regions). Members of the Assemblies of the respective regions are proportionally represented on the Councils.

Regional Councils in Cohesion Regions. Based on Sections 16 and 17 of Act No. 248/2000 on Support to Regional Development, the so-called Regional Councils, were established in the Cohesion Regions (NUTS II regions). They were to serve as management bodies for the Regional Operating Programs (ROPs). These Councils were also to establish Regional Development Committees, which were to serve as program monitoring committees. When the

number of operating programs was changed and a single regional operating program was established, part of the managing powers – particularly the power to select projects.

Regional Development Committees, in turn, serve as the so-called monitoring subcommittees. (For details, see the description of the issues of the Shared Regional Operating Programs [SROPs].)

The Assemblies in the regions representing Cohesion Regions may transfer to the Regional Council the power to discuss and decide on a number of other tasks on which they may agree within the regions' cooperation schemes.

The Economic and Social Cohesion Management and Coordination Committee – is designed for over-all coordination and for securing the preparation and monitoring of all activities needed for the Czech Republic's participation in the system of economic and social cohesion and coordination of the EU Program for supporting the preparation for the use of Structural Funds. This is a temporary body.

The introduction of the above-mentioned bodies, often recalls a clash of interests concerning content and ways of problem resolution as well as competencies.

c) Cross-sector policy integration

The Public Administration's participation in the implementation of sustainable development – EU economic and social cohesion policy documents

The stronger cross-sector approach was under the impact of EU policies and Czech answer on European opportunities was needed. The most important example of using this method by a broad spectrum of actors (from various branches, sectors, and different hierarchic levels) is on economic and social cohesion policy.

Preparation of the National Development Plan (NDP) began. Work on this document started in 1999, and it was approved in 2003. It is a very important document, serving as a basis for negotiations with the EU on the level of support from the Community Support Framework. On the basis of analyses of situation in various economic and social areas in the Czech Republic, the NDP defines the development priorities to which Structural Fund assistance should go. Hence, the NDP does not specify the actual measures to address problems but only defines the broad areas in which the problems are to be addressed. The individual operating programs with their own priorities and measures are then based on the priority lines of the NDP as a basic conceptual document.

At present in the Czech Republic, four sectoral operating programs have been prepared (the Human Resources Development OP, the Infrastructure OP, the Rural Areas Development and Multifunctional Agriculture OP, and the Industry and Entrepreneurship OP), as well as one regionally oriented program (the Common Regional Operation Program – SROP). For the region of Prague, two additional programs (for objective 2 and objective 3) have been established (out of the Community Support Framework). The existence of two national strategies for the Cohesion Fund should be mentioned (transport sector and environmental sector). The Community Support Framework will define the areas of support from the Structural Funds and Cohesion Fund for both of the above-mentioned sectors.

Operating Programs (OP) are primarily focused on analysing and addressing issues in the individual sectors and in human resources development, whereas the SROP focuses directly on analysing and addressing issues in the individual NUTS II regions. To avoid overlapping between the OPs and the SROP, the system of these programs is designed so that the

individual sectors' OPs pursue priorities and support measures of supra regional and national importance. However, it needs to be added that the interventions through OPs will, in the final analysis, influence the quality of environment in the territory concerned, their impact will be reflected in the specific regions.

It is necessary at the same time to respect the hierarchy in relation to the nationally coordinated documents – i.e., in the case of SROP, the hierarchy in relation to the National Development Plan, or the Community Support Framework, and of course, also to the Regional Development Strategy. The Act expressly indicates the need for compliance of the programs (and their implementation) with the European Communities' policy.

The Shared Regional Operating Program (SROP) as the most important tool for regional development for 2004-2006

The European Commission has repeatedly recommended reduction of the number of sectoral development programs and to create one regional operating program for the seven Cohesion Regions in 2004-2006. The purpose was to achieve a transparent and simple (as far as possible) system of operating programs and implementation structures. The Czech Government decided (through its Resolution No. 102 of 23 January 2002) to accept the European Commission's recommendation and support the establishment of the Shared Regional Operating Program (SROP). The regions' specific features were to be addressed through the so-called sub-programs – one for each NUTS II region. The Government (by its Resolution) appointed the Ministry for Regional Development as the Managing Authority for the SROP and the Ministry of Finance as the so-called Paying Authority.

The Minister for Regional Development was asked to prepare the SROP program. The Ministry was supposed to coordinate activities during the preparation and transformation of ROP into SROP "sub-programs" -- in other words, during the formulation of a common general part (for instance, priority setting) and a "regional" part, which would take into account regional specifics. One example could include the allocation of funds to supported priorities.

However, subsequent development led to the formation of a unified SROP (in a number of versions, the last is dated October 2002), where the diversity of the needs of regions is only reflected through different volumes of funds allocated to the individual regions. The funds for the different priorities are defined on a central basis⁴.

Other bodies play secondary roles, derived from those of the Managing Authority. The powers they possess were transferred to them by delegation (the so-called Monitoring Committee is an exception).

In accordance with Article 34 of the Regulation, the Ministry for Regional Development will be responsible for the effectiveness, correctness of management and assistance during implementation. The areas for which the Ministry for Regional Development will be directly responsible include implementation of SROP's Monitoring System, maintenance of all communication with the Commission, communication with the Paying Authority, and communication with the CSF Management and Monitoring Committee (Community Support Framework), the methodical control of the process of program implementation, the contracting with end recipients of the support, and submission of requests for payments to the

⁴ However, this does not mean that there were no consultations with the regions.

Paying Authority⁵. The centre retains, first of all, responsibility for the process' strategic control.

Responsibilities delegated by the Ministry to the "Mediating Entities":

Centre for Regional Development of the Czech Republic (RDC, allowance organisation of the Ministry for Regional Development) as the so-called Executive Unit: implementation of all SROP measures, unless they are entrusted to other entities. Hence, this involves delegation of operating management; this Executive Unit is responsible, first of all, for the administrative background of the whole process (e.g. launching the project tendering rounds on the national level, administrative support to the Monitoring Committees). It is also responsible for certain controlling (auditing) functions (inspection of draft agreements with support recipients, verification and evaluation of the applications). The RDC may delegate some of its powers to its regional offices, the so-called executive units (always one such unit within a Cohesion Region). This involves the already mentioned inspection of the draft agreements with recipients, *in-situ* checking of the projects, and acceptance, from the end recipients, of requests for payments.

The Regional Council, in discharging some of its managing functions relating to the selection of projects and implementation of SROPs within the individual NUTS II regions: The Council is primarily responsible for project selection. Its other powers are associated with the selection process (launching the project tendering rounds within the Cohesion Region, proposing the volume of contributions from the Structural Funds etc.⁶). The Regional Councils establish Secretariats and Advisory Groups, which support the Councils' work.

Council Secretariat will first of all provide administrative support to the Regional Council, the Advisory Groups and the Regional Development Council. There is a range of tasks (especially those of administrative and controlling nature), which the Council may delegate to the Secretariat: checking compliance with Community policies, monitoring the course of program implementation in the Cohesion Region, preparation of draft agreements on provision of support from Structural Funds, etc.

Advisory Groups (consisting of independent experts, one group for each priority): They are to evaluate projects from specific points of view and list projects eligible for funding. It also determines the projects' ranking.

A SROP Monitoring Committee should be established on the basis of a resolution of the Government. It would perform the tasks specified in Article 35 of the Regulation. Hence, it would act as an authority checking the effectiveness and quality of the support provided. The Committee should inspect SROP implementation, compliance with EU and Czech regulations, the achievement of program objectives and the over-all effectiveness (e.g. confirmation and approval of amendments to the program, monitoring SROP preparation, implementation and evaluation, evaluation of the progress achieved, analyses of the results of SROP implementation and analyses of variations. It should propose changes to the Managing Authority etc.⁷)

Members of the Committee will include representatives of the Ministries involved in the implementation of the Structural Fund programs, social partners, representatives of regional development committees (one representative for each Cohesion Region etc.).

⁵ For more details see pages 143-144 of the Shared Regional Operating Program, final draft, October 2002.

⁶ For more details see pages 145-146 of the Shared Regional Operating Program, final draft, October 2002

⁷ For more details see pages 151 of the Shared Regional Operating Program, final draft, October 2002

Regional Development Committees should play a role of something like monitoring sub-committees. They monitor SROP implementation within their territories and submit to the Monitoring Committee (and to the respective Council), information and recommendations for their work. In particular, they monitor SROP preparation, implementation and evaluation, prepare information and documentation for the annual and concluding report on SROP implementation, etc. This means that certain monitoring roles are delegated to the regional level.

Summarised characteristics of the SROP as a program integrating policies with local and regional impacts

The proposed form of the SROP as the key program to be implemented at the regional level in 2004-2006 is relatively centralistic, unlike the conception reflected in the Act on Support to Regional Development.

The most important functions are held by the central bodies of the state administration. In the case that these functions are distributed, institutions under the Ministry for Regional Development will also be involved, in addition to the regional bodies.

The roles are divided as follows:

Conception-formulating role – preparing programs co-funded from the Funds – the managing authorities (primarily the Ministry);

Implementing role – the Regional Development Centre is responsible for carrying out the programs and taking specific measures, and the Regional Council for the selection of projects;

Financial role – decisions on funds allocation will in the final stage be made by the appropriate bodies of the Ministries;

Controlling role – the Monitoring Committee is primarily responsible for effective control of the measures taken and the efficient use of the funds. However, other bodies are also involved – e.g., the Paying Authority (Ministry of Finance) checks the financial transactions for correctness.

It has to be added that the proposed Shared Regional Operating Program is based on assumptions entirely different from those behind the Act on Support to Regional Development. The concept of the Act, dating back to the late 1990s, preferred maximum decentralisation in favour of regions – this was also reflected in the number of program documents; however, in the subsequent period the authors had to respond to the recommendation of the European Commission (also reflected in the Government's resolutions) and significantly change the distribution of powers in favour of the centre (i.e. the state, represented first of all by the Ministry for Regional Development).

Thus the newly prepared SROP reflects the development during the last two years, envisaging in this way the rise of a structure, which is entirely different from the conception on which the Act is based. The characteristic feature of this structure is a combination of emphasis on the centre (giving major powers to the central bodies of the state) with the broadly applied delegation principle (delegation to bodies consisting of representatives of regions as well as to state-controlled organisations).

In the final analysis, this modified approach leads to re-defining the content of the work of the individual regional-level authorities (Regional Councils, Regional Development Committees) and thereby to a significant change in the function thereof.

4. REGIONAL DEVELOPMENT AND THE METHODOLOGY TO EVALUATE IT

During the course of transformation in the Czech Republic within the context of accession to the EU, the issues of regional development, viewed from the point of view of sustainable growth and the methodology of its measurement, enjoy increasing attention of the Czech government, public administration authorities and professional public. In the National Report, we focus on such activities and methods (including their legislative aspects), which were the most frequently used in association with evaluations of the projects and program documents.

Regional Strategy

Regional strategy, as one of an important prerequisites (or parts) of regional planning, represents a very specific and concrete form of the participation of state administration, self-government, business entities, various civic initiatives and citizens in general (consensus) in the formulation of the visions, directions and objectives of development of the socio-economic structure within specific territories. As distinct from sectorial strategies, regional strategies address all the substantial aspects of the life of the community, city or region and its interlinked natural and technical, social, cultural, and economic conditions (including feedback for the life of the community, city or region, as reflected in the state of the strategies). Distinction of the regional or local dimensions of the strategies is another important aspect of the characteristics of the regional strategies: in essence, there are three dimensions, including the macro regional dimension (the Czech Republic), regional dimension (NUTS II, NUTS III), and micro regional dimension.

Any regional strategy is focused on achieving a dynamic, or even accelerated, development trajectory toward the time horizon of the year 2006 or 2010, as one of the basis prerequisites for the readiness of the Czech Republic for participation in pre-structural assistance of the EU, followed by focus on accession to the EU and – related with that – the possibilities of using the financial resources from the EU Structural Funds. At the same time, regional strategy, formulated in these terms, should fully respect the basic principles of the regional policy of the Czech Republic. The internal structure of the regional strategies and the related documents must of course comply with, or be subject to, both of these requirements.

The recently adopted Act No. 128/2000 (the Municipalities Act), Act No. 129/2000 (the Regions Act), and Act No. 248/2000 (Act on Support to Regional Development) represent important grounds for the regional strategy.

Programs of Development of Regions, Cities and Local Communities

The draft development program of a region is as a rule prepared upon the initiative of a state administration body, association of municipalities and regional self-government, possibly with support from the central bodies of state administration such as the Ministry of Regional Development of the Czech Republic. The purpose of the program of development of the region is to diagnose the territory and identify the development prerequisites and the issues; prepare the regional and municipal development strategy for the region; and provide suggestions and proposals for projects to support economic and social development of the region and the parts thereof (micro regions and development centres), including adequately defined priorities of the spatial development of socio-economic activities of supra-local and supra-regional importance toward specific time horizons.

The resulting material should – through adequate activation – create conditions and opportunities for regional and local development to accelerate business and to encourage and favourably influence the development of settlement. The material should also provide

conditions for making the future development of business and settlement activities as friendly to the quality of environment as possible and to respect the principles of sustainable development.

The draft program of development for a region is, as a rule, composed of two parts. One part contains detailed analyses (the SWOT analysis) and evaluation of the micro regions and development centres. The prerequisites, issues, projects and strategies of development are included in the other part. Partial results should be documented in detail in the annexes appended to the program.

Development programs are prepared for regions defined in various ways. They may either be based on the administrative regions (administrative regions, NUTS II regions, or may rely on associations of municipalities within micro regions). It is also possible to “arbitrarily” define the regions (i.e. without direct ties to the administrative boundaries), with focus on a specific purpose, for addressing various issues, e.g. tourism, transport or environmental protection. However, with the special-purpose delineation of a region it is necessary to respect the somewhat closed nature of such a region and its specific functionalities.

Approaches towards Solutions to Regional Development

A successful solution to regional development relies on a whole range of methodologies, methods, techniques and tools. The system of approaches, applied in the area of regional development, is understood as the use of organised (classified) knowledge and its creative utilization using scientific methods. Hence, this involves not only a sum of known facts but also the processing and adequate interpretation thereof, relying on several well-tested methods. The methods most frequently used within the regional development area in the Czech Republic are those of strategic analysis and planning (TOWS matrices) and SWOT analysis.

Strategic planning in a territory is set out as a tool for community (municipal) planning in Act No. 128/2000 (the Municipalities Act), Act No. 129/2000 (the Regions Act) and, in particular, Act No. 248/2000. However, in addition to serving as a traditional tool for defining the concept of city development – the zoning plan, development plan – the strategic plan is more closely focused on the development of the social and economic sphere and its relation to the given territory. The content of this strategic development program is not determined by any generally binding regulation.

Evaluation of the Program Documents

In recent years, the Czech Republic has had opportunities to familiarise with the issues of the evaluation of projects and programs in the EU within the context of the country’s preparations for accession to the EU and with drawings from the Structural Funds, during which the various programs were subjected to ex-ante evaluations. The gradual adoption of evaluation as an “institute” is thus among the great benefits of our approximation to the EU. Ex-ante evaluation of program documents, combined with interim evaluation and ex-post evaluation, represents part of the effort to apply in practice the principle of structural fund monitoring and evaluation. Monitoring and evaluation of assistance from EU funds is required by EU Council Regulation.

Evaluation from the viewpoint of the effects of the program documents (with the exception of JPD objective 3) on the environment is based on Act No. 244/1992 on the Evaluation of

Environmental Effects, as amended in Act No. 132/2000. The Strategic Environmental Assessment (SEA) is first of all used for evaluation of sectoral policies in regions.

A new tool -- sustainability impact assessment – is being used more and more often. This method was applied by the Institute for Ecopolitics, o.p.s. Prague in evaluating the strategic development documents of the Liberec region.

The following text describes in detail the ex-ante evaluation both in general and in particular – for the individual programs relating to the regional development of the Czech Republic. Ex-ante evaluation is an integral part of the program documents and takes place in parallel with the development thereof, so as to ensure that its results can be incorporated in the programs and that the programs can be modified on the basis of the findings of the evaluation. The results brought about by the ex-post evaluation of a structural funds pilot program – the Haná micro region – are included in the closing part of this report as an example of how the evaluation methods are used in the Czech Republic.

From the results of the ex-ante evaluations, a couple of general observations can be made. The connection of economic and social analysis with priorities and program measures is problematic; the ability to analyse the results from subsidies received thus far is also very difficult. This clearly demonstrates the fact that Czech subjects are not prepared to work out the ex-post evaluation of these programs. It should also be mentioned that there is almost no experience within the Czech Republic with ex-post evaluations.

An overly general formulation of global and specific objectives and priorities, as well as a missing level of operational goals within individual measures, represents a weak part of operation programs. Many program documents have included too many priorities and the scope of the priorities is too broad; this is in contradiction to the Structural Funds requirement – the principle of concentration. Specific criteria for project selection, specification of mediating institutions and specification of final recipients are also often missing. These missing items can be added in the program appendices. In the EU, an unusually large part of the financial support is dedicated to technical assistance. This makes sense, taking into account, the limited experience of the implementation structures.

The biggest problem that resulted was the definition of impact, results and output indicators and their quantification. In many cases, these indicators do not correspond to individual levels of program goals nor do they have the ability to provide high-level information because the Czech Republic does not collect data or indicators of this type.

In the upcoming period, it will be necessary to deepen the whole evaluation process of draft projects; this is necessary to ensure that EU funding is effectively used.

a) Ex-ante Evaluation of the National Development Plan (NRP)

The purpose of the ex-ante evaluation was to provide background data for preparing the NRP, the operation programs and program supplements. The conclusions of the ex-ante evaluation were incorporated in the latest version of the NRP, some being provided in detail in the individual operation programs.

The evaluators recommended extending the analysis to cover other areas such as the equality of men and women, the issues of small and medium enterprises, foreign investments, and research and development. Sectoral policies were also included in the NRP. The ex-ante evaluation was most significantly reflected – as to the recommendations based thereon – in the chapter on Objectives, Strategies and Priorities. First of all, the links between the SWOT analysis and the global objective, the specific objectives and priority axes were strengthened.

Descriptions of the operation programs and the level of their contributions to achieving the specific objectives of the NRP were harmonised. In addition, the implementation structures were extended to comprise the identification of the end recipients of the support, and the method of monitoring was extended to include an overview and description of indicators.

Monitoring indicators were incorporated in the NRP and their initial level (i.e. that in 2003) as well as the target level (in 2006) was quantified for the global objective, the specific objectives and the individual NRP priorities. As they were prepared, attention was focused on ensuring links between the various levels of the indicators and the linkage with the respective objectives. The particular purpose was to aggregate – everywhere appropriate – the lower-level indicators into a higher-level indicator. Entry data will be provided mainly by the Czech Statistical Office, whose activities have largely been harmonised with Eurostat requirements. The parameters are quantified for the specific cohesion regions (because the whole of the Czech Republic does not fall under Objective 1). Two indicators – per-capita GDP and unemployment rate – were defined for the monitoring of the implementation of the global NRP objective.

As the indicators are to be monitored for only a short period (3 years), the positive affect of operation program implementation may not influence them significantly. It is also a problem that in reality they cannot be defined “net” of other effects, such as, for example, the strong impact of the economic situation in neighbouring countries on developments in the Czech Republic, due to the openness of the Czech economy.

b) Ex-ante Evaluation of the Operation Programs (OPs)

Ex-ante evaluation was worked out for all operation programs by independent evaluators; this was completed during the program preparation phase. In the following parts of this chapter, some knowledge and recommendations gained during the evaluation will be discussed. (It is necessary to stress that evaluations were completed on draft versions rather than the final program versions; this was done in order to give the program originators a chance to improve them during the process.) In most cases, program designers attempted to include the suggestions or recommendations of the evaluators into the final versions of the document.

Ex-ante evaluation of the Human Resources Development OP

The evaluating team stated that the analysis covers all key areas (which create the context of human resources development), and that this analysis is supported by statistical documentation. They also stated that the SWOT analysis is logically divided into parts, each of which respects individual OP priorities. Both global and specific objectives were set, thus ensuring the consistency of the program; however, these objectives remain too broadly formulated. The evaluators objected to the fact that, with regard to priority level, no objectives were defined. However, these objectives could be added because a relationship between objectives, priorities and measures exists. The lowest level of goals is not defined within the measures. In some cases, the hierarchy of objectives was not fully respected; the lower level objectives overlapped with those on the higher level. These shortcomings can be removed in a program supplement. To the evaluators, the OP strategy appeared to be generally balanced from the point of view of achieving the global objective. They came to the conclusion that the strategy includes an appropriate combination of both developmental and social protection elements. They also believe that it is in compliance with both EU and Czech policies. They recommended a detailed description of specific OP RLZ activities be completed. In addition, they recommended that both SROP's and OP PP's activities be similarly described. The financial framework was created in compliance with the European

Commission's provisions. They also suggested to carefully reconsider whether participation of the profit sector at the five per cent level, would be in compliance with the rules of economic competition and public support.

Quantification of objectives is understood to be rough estimates because there is not enough data to provide more precise estimates. It was recommended to further define the implementation structures in the program supplement, and because of a large number of monitoring indicators, to prolong the period of data collection. In the case of inputs, they recommend to introduce six-month intervals; in the case of outputs, a period of one year was suggested. (NVF – NOZV 2003).

Ex-ante evaluation of the Industry and Business OP

The socio-economic analysis and the SWOT analysis won a “no reservations” rating, but there were problems with the analysis of the previous results, where the authors of the document had to face the fact, in particular, that in almost all cases the effectiveness of the tools within the individual policies was still awaiting analysis in the Czech Republic.

It also remains necessary for the program to apply the principles and procedures of monitoring in force in the EU, because the Czech Republic does not have any coherent system to evaluate and monitor the programs. The evaluators expressed no reservations in respect to the defined indicators and the quantification thereof. The Industry and Business OP respected the basic recommendations of the European Commission concerning the selection of regions' and sectors' needs conducive to a reduction of the priorities and measures, in order that financial resources could be concentrated on addressing certain basic problems, thus ensuring the highest possible effectiveness of spending the available funds. As a result, the number of priorities is cut from six to three.

Ex-ante Evaluation of the Rural Development and Multifunctional Farming OP

The evaluation team recommended enhancing the interrelations between the economic and social analysis and the priorities and measures under the OP (e.g. in the area of impact on unemployment). Further, it is pointed out that the analysis is not split by regions. In addition, the program does not include certain trends and comparisons with the EU averages, which might have served as strong arguments in favour of the required financial intervention in specific measures. The evaluators believe that the whole document lacks balance, because the rural issues remain on the periphery of attention and are not interlinked with the area of agriculture, and because the document does not reflect the EU trend of reducing direct financing of agricultural production and increasing the attention paid to the rural environment and Multifunctional Farming.

On the other hand, the document contains all the needed information about the OP's compatibility with EU legislation, which is reflected in all the applicable Czech laws. The SWOT analysis more or less correctly reflects the strengths and weaknesses, opportunities and threats, but does not fully respect the internal relationships with the analysis of the economic and social situation; in addition, it contains many statements that are not the object of the analysis and rely on mere estimates and speculations.

The global objective is defined in an objective and realistic manner and complies with the objectives of the National Development Plan. Owing to the quotas and the focus of EU support to avoiding increases in agricultural output, the compliance with the global objective will remain questionable. The strategic goals are defined in a transparent manner. However,

these goals are contradictory to each other, because the OP fails to reflect the trend of increasing labour productivity and – related to that – the fewer employment opportunities. Improvement of the competitiveness of Czech agriculture is among the most important goals.

The implementation structures are, in the essence, taken from the pre-accession SAPARD assistance, which is, most probably, the best guarantee of their functionality and effectiveness (IEEP VŠE 2003).

Ex-ante Evaluation of the Environment OP

Evaluation of the previous programs is included in this program. Those previous programs were implemented, for the most part, with support from the State Environment Fund and with external financing from the ISPA and PHARE funds. The evaluators state that the amounts of the contributions from the national budget to environmental protection have been decreasing in recent years. As indicated by the experience from projects using pre-accession support, the selection of projects and the preparation thereof is the critical factor in the implementation of the program. This is so mainly because of the lack of experience of those who prepare and submit the projects. The program supplement should therefore contain clear criteria for project selection and monitoring, in order that the OP could be evaluated. It is advisable to use experience gathered to-date from the use of the existing tools for implementing the policy of the State Environment Fund (CITYPLAN 2002).

Ex-ante Evaluation of the Former Transport OP

The evaluating team evaluated in detail the SWOT analysis and prepared a number of recommendations to it (e.g. the question of whether it is really possible to include the network of primary routes in the strengths, or the problematic inclusion of the lagging development of infrastructure among the threats, which in fact is an internal issue of the sector); these recommendations are part of the ex-ante evaluation.

It is recommended, first of all to determine a clear and logically justified order of the main issues, ranked by priority, on which the OP needs to focus, and to re-check the analytical findings, particularly the opportunities and threats. The overview of previous support includes the indication of the funds committed to the transport infrastructure and drawn from the national budget, and also drawn from the State Fund of Transport Infrastructure, from company funds (railway transport), from loans, and from the EU ISPA and PHARE Programs. What is also missing in the OP is the incorporation of the support in the form of financial subsidy to the regular public passenger transport.

The issue of transport infrastructure development and the transport service availability in regions is not addressed in the Program, because it belongs in the SROP. The specific objectives and priorities were found to be internally consistent and interlinked with the horizontal themes, including the equality of opportunities, increasing the internationalisation, and development of the information society. The evaluation team also recommended adding to the Program the link to the community policy as to the EU's transport priorities for the future period. The issues of implementation in regions are not mentioned in the Program, which creates the impression that the whole program is to be controlled straight from the centre. Nevertheless, the implementation and monitoring system in the Program is prepared at a high level. (DHV 2002).

Ex-ante Evaluation of the Infrastructure OP

The Infrastructure OP arose as a result of combining the Transport OP and the Environment OP, for which preliminary evaluations had been prepared earlier.

c) Ex-ante Evaluation of the Joint Regional Operation program (SROP)

Ex-ante evaluation of the SROP includes evaluation of the key elements of the SROP, i.e. the ex-ante SROP evaluations of previous results, analyses and experience and evaluation of socio-economic analysis, the SWOT analysis, justification and consistency of the strategy chosen, the quantification of objectives, analysis of socio-economic impacts and the financial plan, the implementation and monitoring system, and evaluation of the horizontal themes, including the human resources development issues and the situation in the labour market, the environmental area, assessment of the state in the area of equality of opportunities and assessment of the state of developing the information society.

The evaluation team arrived at specific solutions, including the following (SRSV VŠE 2002):

The strategies applied so far (Strategy of Regional Development of the Czech Republic, Programs of Development of Administrative Regions and practical support to regional development in the individual areas such as support to small and medium enterprises) have been successful, in the evaluators' view. However, as the impacts of those strategies have not been evaluated in detail, it is impossible to consider whether it would be possible to achieve the results in a more effective way. The quantification of the effectiveness of the hitherto implemented programs cannot be fully assessed because only the analyses of the projects carried out by Českomoravská záruční a rozvojová banka are available. As to the programs implemented by the Ministry for Local Development and the Ministry of Industry and Trade, as well as those carried out under the PHARE program, the success of these programs has not been quantified because it is not yet a rule in the Czech Republic to evaluate them ex-post. The evaluators therefore propose to introduce a system of evaluation of the implemented programs to provide a means for monitoring how funds are being spent. The key risks involved in the current situation include the complicated system of support, complex mechanisms of implementation, and insufficient concentration and control of how the support is used.

For the SWOT analysis of the SROP, the evaluators recommend making partial improvements in summarising the strengths and weaknesses (for example, include the item of "Satisfactory Network of Facilities for Cultural and Adult Education Activities" in the strengths).

The over-all conclusion of the ex-ante evaluations is: "The evaluation team considers the submitted SROP as a program document drawn up in compliance with the rules and regulations governing, in the EU, the area of the use of structural funds. The evaluation team recommends the SROP as such for implementation".

d) Joint Program Document (JPD) for Objective 2, City of Prague NUTS II Region

The introduction does not specify clearly the objective of the JPD 2 Joint Program Document and the areas covered by JPD 2. What is also missing in the document is a reference to the EC context, an overview of the public support hitherto provided by the state and by the local entities, and the previous use of financing from the pre-accession EU funds. Certain parts of

JPD 2 will therefore have to be re-done. The evaluators recommend elaborating on certain issues in the analysis (e.g. the homelessness issue, equal opportunities for women, or analysis of the international political position of the city and state).

The program contains only two priorities: although this formally meets the requirements for concentration of funds, it remains a question whether the extensive range of the capital city's issues is sufficiently covered by those two priorities. The level of financing funds, the objectives of the priorities and the quantified indicators of the results thereof are not specified with the priorities. What is also missing in the Program are the objectives of the measures, types of projects supported, forms of support, the financial framework of the measures and the end recipients of the support. The financial part of the program represents only a general background framework for the provision of funds and does not contain any evaluation of the to-date system of financing the development criteria. The program does not describe the specific conditions of implementation with respect to Prague's position as a city enjoying a specific status, special administrative division and special pattern of distribution of public administration powers. It does not define the general principles of the selection of projects and the organisation thereof. The evaluators recommend that the cash flow and control system should be developed.

The evaluation team stated that the document proves the justification of support from EU structural funds. However, because of the current state and form of the document, the evaluators were not able to answer the questions as to the effectiveness and efficiency of the support (DHV 2002).

e) Joint Program Document (JPD) for Objective 3, City of Prague NUTS II Region⁸

In the ex-ante evaluation, it was stated that, in general, the analysis was done well but that not enough attention was paid when doing the analysis of information society, or to the situation of women in the labour market. It was recommended to further specify the global objective and, for some measures, to harmonize the hierarchical relationships of objectives. It was noted that there might be some overlapping between the priority of social integration and the priority for equal opportunities for men and women. When these partial shortcomings are removed, the program will be consistent. JPD 3 is fully compliant with relevant national policies, as well as with the strategies and policies of the EU. JPD balances measures to support individuals with system development and appendant measures.

The financial framework is structured in a tabular manner. The division of resources among priorities respects the importance of accomplishing the global objective; it allocates funding based on the hierarchy of these priorities. It was recommended to consider whether or not it is realistic to suppose that private resources could cover 5% of the expenditures associated with lifelong education. There are some indicators on the program or priority level, which are used to measure outputs. These indicators were used to make a quantification of objectives. Therefore, the defined indicators have to be perceived as expert estimates, because sufficient data is unavailable.

In JPD 3, an overview of the organizational assurance of program realization has been made. Implementation structures will be elaborated in the Program Supplement. A recommended system of monitoring indicators will be specified in the Program Supplement; this will be done in a manner, which will facilitate the full monitoring of the program.

⁸ An ex-ante evaluation team was created for the ex-ante evaluation of JPD 3. This team cooperated on a partnership basis with a number of institutions (Ministry of Labour and Social Affairs, the Municipality of Prague, the City of Prague Employment Agency, the Czech Academy of Sciences etc.).

f) Ex-post Evaluation of the Structural Fund-Type Program – the Haná Micro region

A 'Financial Memorandum between the European Community and the Government of the Czech Republic' was concluded in 1998. A partial program entitled Grant Scheme: Investment Support to the Haná Micro region was implemented under that Memorandum. The mission of the program was to contribute to gaining experience in the implementation of structural fund-type programs, strengthen the professional background for securing such programs in the future, and provide conditions for the region to achieve some of the objectives of its strategic development through a grant provided from the PHARE program and the national budget to selected entities.

The use of structural fund methods requires that the region must be prepared, because, as found, the development of a real partnership and a background of specialists in program management, financing, monitoring etc. was among the most difficult tasks. The results of the pilot program should help strengthen the absorption capacity for EU funds in the Czech Republic and improve the quality of utilising domestic resources. The pilot program serves as a practical aid for implementing development projects and as a source of inspiration in preparing those projects.

In addition to the "ordinary" conclusions such as the need to develop a program, define priorities, financing etc., the ex-post evaluation led to certain conclusions, which are of substantial importance for situation in the Czech Republic. These are as follows:

The whole programming process should for the most part take place in the region. This would provide a solid basis from the very beginning for creating good partnership relations and cooperation inside the region. Programming is a time-consuming stage of preparing a program and must be preceded by building a broad partnership and by discussions focused on the region's development. The pilot projects based on the partnership principle won better point ratings for the applications for subsidies;

One of the main conclusions drawn from the pilot program was that the program should be preceded by an information campaign and collection (and development) of relevant suggestions and proposals. The projects created upon consultation with the Secretariat, program consultants, regional agencies or commercial advisers won better ratings especially in respect of compliance with the formal criteria, compliance of the project focus with the program objectives, provision of outputs as expected, and the justification of the intentions and plans;

Project preparation should be started as early as possible. It is advisable to base project considerations on the programs of development of the region, micro region or community, and to elaborate on the important projects even beyond the level of the funds available to the applicant, so as to be able to respond promptly if a program allowing for co-financing such activities is announced;

In the selection of the applications, the quality of the projects submitted is the most important factor, which can justify departures from the planned scheme of allocations to the individual parts of the program;

The formation of the managing structures and human potential in the region, available for use in the process of preparing the Czech Republic for using EU funds, is an important deliverable under the program;

Public promotion is the greatest weakness of the implementation of the program, although such publicity helps promote not only EU interests but also the interests of the recipient of the

grant, who – by publicising a successful project – supports its own image as an entity capable to prepare high-quality development programs;

Those who submit projects should be aware that the programs do not serve to bridge deficits in their accounts, nor do they serve as a source of profit, and that the controlling mechanisms of the programs co-financed from the EU work better than we have so far been used to in our local conditions;

Another problem was the delay in the transfer of PHARE funds earmarked for project financing – the delay was caused by the fact that the rules of financing of the program from the national fund had not yet been fully in place. It is therefore necessary at the central level to pay sufficient attention to preparing the cash flows. Co-financing on a multi-contract basis (involving PHARE and government money) also proved ineffective, because the recipients of the funds had to maintain their accounts by two methods and, in fact, took part in two programs.

The pilot program influenced the regional policy in the Czech Republic, helped to formulate the needed technical assistance and, in particular, helped to find the links between planning and theoretical preparation on the one hand and reality on the other. Such experience should lead to a better quality of the content of regional development documents.

Methods to Evaluate the PHARE Project Implementation

It appears clear from the evaluation of PHARE projects that applicants for financing from EU programs must pay much attention to the evaluation of each particular project. It can be said that there is much room for improvement in this area on both the regional and local (community) levels. Feasibility studies, financial analyses, and effectiveness analyses are the methods most commonly used in the Czech Republic at present.

The feasibility studies and the financial analyses represent no substantial problem for potential applicants for financing from EU funds and initiatives. However, with the effectiveness evaluation, the situation is somewhat more complicated. What is mainly required besides the commonly used CMAs (Cost-Minimizing Analyses), CEAs (Cost-Effectiveness Analyses) and CUAs (Cost-Utility Analyses), is the Cost/Benefit Analysis (CBA), which is affected by the external effects arising in the public administration projects (their identification and monetarisation) and by the inaccessibility of some indicators on the regional level.

The EIA method (Environmental Impact Assessment) enjoys a special status in this area: its position is defined by Act No. 100/2001, which also defines the areas where it is to be used. Its use is mandatory especially in the commercial premises such as supermarket chains. At the national level it is important to prepare an EIA for the energy area, specifically for the Temelín nuclear power plant, and possibly also for the transport area, specifically for the bypass road at the city of Plzeň on the D-8 Motorway Bypass, etc. EIA is mainly used in ex-ante evaluations.

5. EVALUATION OF REGIONAL SUSTAINABLE DEVELOPMENT

a) Experiences with regional sustainable development and the practical implications of regional sustainable development

Implemented programs

Since the 1990s, the regional policy of the Czech Republic has gone through dramatic changes. Particularly since 1996, a number of significant laws, concepts and strategies have been adopted. In addition to that, a number of practical tools and projects financed from the state budget, as well as funds of the European Union, have been created. This wide range of tools enables reaction to the special needs of recipients; on the other hand, the programs overlap in many cases and the lack of their coordination (also in relation to the upcoming operative programs) is also occasionally criticized by the European Commission.

Here are some of the state programs focusing on regional development in the 2001-2004 period: programs supporting small- and medium-sized enterprises -- Preference, Regeneration, Operation, Borders, Village, and Regio-guarantee coordinated by the Ministry for Regional Development, and programs of global character -- Credit, Market, Cooperation, Start, Guarantee, Special, Marketing, Consulting, Small Loans and Design coordinated by the Ministry of Industry and Trade.

Within these programs, small- and medium-sized businesses receive, among other things, favorable medium- and long-term loans, loan guarantees or contributions for interest payments. These programs are offered through the Czech-Moravian Guarantee and Development Bank, a.s.

Other regional programs of the Ministry for Regional Development focus on selected regions with specific problems. For year 2003, the following were announced:

Regional program supporting renovation and construction of technical infrastructure in the former military training areas of Ralsko and Mladá;

Regional development program supporting the establishment of industrial enterprises in the Northwest and Moravskoslezsko (Moravia-Silesia) NUTS II territories;

Regional program supporting the development of northwest Bohemia and Ostrava regions;

Regional program supporting the development of economically weak and structurally handicapped regions.

In past years, special regional programs existed for other regions as well, for example, the Sumava.

The Program for Rural Regeneration represents a significant help for rural areas. It offers grants for projects in the area of rural infrastructure (for example, restoration of residential housing as well as industrial and public buildings, local roads, public greenery), but also consulting services, seminars and preparation of urban studies and zoning plans. We are pleased to say that the Program for Rural Regeneration explicitly mentions in its documents the necessity of cooperation of the citizens and civic associations for the realization of the program.

Regional development has also been influenced by a number of other, sector-oriented programs. In addition to the above-mentioned programs supporting businesses, there are for example, programs supporting the renovation and construction of roads, highways and railroads realized by the State Fund of Traffic Infrastructure.

The Ministry for Regional Development also supports, apart from the explicitly region-oriented programs, projects supporting housing through the long-term support of panel houses renovation, a program for supporting construction of rental housing and a program for supporting construction of housing with nursing services.

A large number of programs exist in the area of environmental protection. Three „landscape restoration“ programs (the Program of Landscape Care, Program of Small Water Management Actions and Program of River Revitalization) are financed from the state budget; another series of programs and sub-programs is financed and implemented by the State Environmental Fund.

The revenues of the State Environmental Fund consist of fees, payments and fines related to environmental issues; the annual expenditure was about CZK 3 billion in past years. Almost half of the expenditure between 1992-2001 was spent on water protection (particularly construction of waste water purification plants and sewer systems); approximately 40 % of the funds went towards the support of projects concerning air protection. The main recipients were the municipalities. There is also a great interest related to the support of renewable sources.

In the area of energetics, next to the State Environmental Fund there is a State Program for supporting energy conservation and utilization of renewable energy sources, managed by the Czech Energetic Agency and financed by the Ministry of Industry and Trade. In the area of agriculture, programs exist for supporting anti-flood measures, construction and renovation of water supply networks, water purification plants, wastewater treatment plants, sewer systems, pond treatment and environment-friendly agriculture.

Financing from EU Funds

The help received so far from the pre-accession EU funds has contributed significantly to the development of the regions – from the economic, social as well as environmental point of view. Along with the direct help, pre-accession help had an invaluable importance as a preparation for drawing significantly greater amounts of financial aid from the Structural Fund as well as the Cohesion Fund.

PHARE was the first of the main pre-accession funds that the Czech Republic began using, at the beginning of the nineties. According to the Center for International Aid (2002), EUR 632,2 million was awarded between 1993-2001. More than one third of this amount was earmarked for the program of cross-border cooperation (CBC PHARE) – a successful and explicitly region-oriented program directly associated with the EC initiative Interreg. CBC was launched in 1994. This program finances from dozens to hundreds of small projects, often in the area of environment (sewage treatment plants, sewer systems, gas line connections, landfill rehabilitation), culture (restoration of historical buildings, libraries, museums), traffic infrastructure (roads, railroads, cycle paths), education or tourism.

Aid from PHARE was used for other types of projects (such as promotion of employment, entrepreneurship, reform of public administration, and education or used directly for projects in a category labeled „regional development“) that had a direct impact on regional development. One large-scale investment project was also supported by the special PHARE program LSIF (Large-Scale-Infrastructure Facility). The project was a partial reconstruction of the sewer system in Brno, and it was co-financed by the European Investment Bank.

The SAPARD Program, focusing on the support of agriculture and rural areas, has been very successful. Due to the lengthy preparation of the main document (Agriculture and Rural

Development Plan of the Czech Republic for the period 2000-2006) and the implementing agency's accreditation process, the program was launched quite recently. Since then, several rounds of application reviews have been carried out, and a large number of projects have been approved. The entire process of document preparation and negotiations is quite demanding and represents an invaluable intellectual know-how and experience with regards to receiving aid from structural funds, whose rules are very similar to Sapard's.

The ISPA Fund supports large-scale projects in the area of transportation and environment with admissible costs over EUR 5 million. To date, a financing memorandum has been signed for 15 such projects within the territory of the Czech Republic. Eight of them were in the environmental sector (all concerned drinking water or waste water purification). Six were from the transportation sector. The last project was unusual; it dealt with a series of smaller projects for the damage rectification after the 2002 floods. The EUR 30 million worth of aid was split equally between both relevant sectors within the framework of this project.

With regard to the circumstances, the European Commission did not insist on several requirements usually applied to ISPA projects for this flood project (for example the application was submitted collectively for several entities not directly associated projects; the share of ISPA aid represented an exceptional 80 %).

In connection with the above, it should be mentioned that the Czech Republic became one of the first beneficiaries of aid from the newly established Solidarity Fund (together with Germany, Austria and France). In November 2002, the European Commission earmarked in of total EUR 728 million for these four countries to eliminate the consequences of the extensive floods. The Czech Republic received EUR 129 million from this amount. Together with the sources from PHARE and ISPA, the „flood“ aid from the EU totaled approximately CZK 5 billion.

For the sake of completeness, it is necessary to mention the participation of the Czech Republic in the Initiative of European Communities, particularly INTERREG. The Czech Republic has joined the Initiative EQUAL, sponsored by the Ministry of Labor and Social Affairs. However, the Czech Republic does not use funds from ESF during the pre-accession period, and therefore funds from the MLSA budget and also PHARE Program are used to finance this program. Several specific projects have already been selected to receive aid.

Although community programs are not a direct instrument of structural policy, they often pursue the same objectives. The Czech Republic has, for example, participated in the SAVE II program, focusing mainly on supporting energy conservation. The Ministry of Industry and Trade was the Czech sponsor. Currently the participation of the Czech Republic in the community program LIFE, respectively its section „Nature“ and „Environment“, is being considered.

b) General trade-offs and top-down and bottom-up relations

The Czech Republic must, as a part of its preparation for accession to the EU, implement a number of legislative changes in the area of regional policy as well as prepare new program documentation that entitles it to draw financial support from EU funds. Preparation of these documents was a novelty in many aspects and therefore the process has not been simple. Individual documents were prepared in stages, were subjected to commentary sessions, negotiations and preliminary evaluations that led to their transformation and improvement. During the course of the preparation process, the European Commission voiced its opinion and submitted various recommendations and comments, which were in most cases reflected in the final version of program documents by the Czech party.

The principle of partnership is one of the basic principles of structural and regional policy of the European Communities and it is mentioned in all program documents using the structural funds. Regions are, in general, considered to be valid partners. The extent to which the regions are engaged in the preparation and implementation of the programs for using the structural funds has been changing gradually.

The circumstances surrounding the establishment of the Joint Regional Operation Program illustrates quite well the inconsistent and incongruous approach to the actual participation of regions on regional policymaking.

Region-oriented programs for using structural funds exist in the majority of EU member states, either in the form of operational programs or individual program documents – in some countries these programs are run along with the sector-oriented operation programs. For example, in this program period, Portugal has a great number of programs.

The original structure of program documents included eight regional operation programs (ROP) for individual NUTS II cohesion regions, in addition to six sectoral operation programs.

This aim is also reflected in the Act on Support of Regional Development. Based on this act, regional councils have been established in the NUTS II regions for the purpose of drawing the support from structural funds. This act gives the council extensive powers (ranging from the right to establish the programs, to the implementation of the programs and making decisions about resource allocation, to the authority to control and evaluate them). It was therefore assumed that the regional councils would act as an executive body for the given ROP. This testifies to the intended high decentralization of the entire system and the effort to allocate sources from the structural funds as effectively as possible. Gradually, concrete proposals of ROP have been emerging.

However at the beginning of 2002, this system was abandoned based on the repeated recommendations of the European Commission, and it was decided to create a single regional operation program (SROP). The main argument was the effort to reduce the total number of operational programs in the shortened operational period of 2004-2006 and lower administrative requirements during preparation, negotiations, implementation and evaluation of program documents for the Czech Republic as well as the European Commission. It is necessary to stress that the recommendation – currently there are no specifically region-oriented operation programs in any of the candidate states (with a certain exceptions of the very small states for which a single program document is prepared).

After the decision had been made to create SROP, it was determined that the specifics of individual NUTS II regions would be addressed within the SROP by sub-programs from already established ROP. However, this goal has not been met and therefore a single SROP has been established where heterogeneous needs of individual regions are addressed only by differences in the amount of resources allocated among the regions.

Therefore, there is a danger that SROP will not be able to effectively react to the specifics of individual regions (or subsequently to the needs of municipalities) even despite the fact that SROP was prepared on the basis of regional program documents (programs for regional development on which the municipalities participated during preparation). Therefore, it is possible that there will not be sufficient funds for one of the priorities in one region and abundance in another region. Also a specific problem can exist in one region on a larger scale that is not addressed by SROP. On the other hand, a common program will enable transfer of funds in cases when some of the regions will not use all the resources and it will simplify the demanding negotiations with the European Commission.

Changes in the roles of individual subjects have been proposed along with the transition to SROP. These changes are characterized by a significant strengthening of powers in the center in contrast to the original plans. Strategic and operational management will be transferred to the central organs and organizations – the Ministry for Regional Development and the Center for Regional Development (CRD). The accumulation of these most important decision-making competencies should have been offset by the proposed management program committee, in which representatives of the regions would have a majority and which would have extensive competencies. However this concept has not been realized since the committee was marked as superfluous.

Regions will therefore keep competencies mainly in the area of selecting the projects and proposing the amounts of aid awarded (regional councils) and in the area of controlling the realization of SROP (regional development committees as monitoring sub-committees). However, the regions will not have the final word in either of those areas. In the area of SROP control, the regional development committees can only give recommendations to the monitoring committee.

As for selecting the projects and proposing the amount of financial help, the SROP proposal states that after the projects are selected by the regional council, a list will be given to the CRD. CRD then will prepare a joint proposal of selected projects from all regions and will present it to the managing body. The managing body will then do a final selection of projects including allocation of resources for each project – it will therefore have the final word in awarding the grants. With this event, the regions will lose one of their last important competencies.

It can be seen from the above mentioned facts that the proposed system of SROP implementation is in violation of the subsidiary principle that states that the decisions should be made at the lowest level possible. Making the most important decisions at a central level is not always effective. Central organizations cannot have as good of awareness of regional needs as the regions themselves, and therefore can reach incorrect decisions.

By establishing the centrally directed regional program SROP, the requirement of the European Commission to reduce the number of program documents has been fulfilled. The number of sectoral operation programs was also reduced, yet for a long time it had considered moving the activities from SOP Transportation, SOP Environment and SOP Tourism to the SROP. Other mentioned programs have been pooled into the Operation Program Infrastructure with the Ministry of Environment as the managing body.

During the Community Support Framework negotiations, the European Commission recommended a rather considerable reduction in resource allocation (originally approximately 38 % of resources for Objective 1) and significant changes in the structure and aim of the program. One of them was the transfer of environmentally oriented measures to the OP Infrastructure along with the allocated financial resources.

In the end, the Czech party respected this recommendation and the result is a higher share of centrally directed financial resources. However, it is necessary to stress that the activities of Infrastructure OP (as well as other operation programs) will be realized in the regions, and that regions and municipalities will be, in many cases, the final end recipients. Regions will also play an important role during implementation. They already have their representative in the top organization that will approve the projects – the managing committee. Other representatives are the members of the monitoring committee, which has significant authority. It approves program addenda and by that the detailed rules and structure of the program including the allocation of the resources among individual actions; it also negotiates and

approves the regular reports on the realization of the program. In both key bodies, there will be representatives for non-governmental, non-profit organizations.

The regional focus of the program is also underlined by the establishment of regional working groups (for the environmental area) in all regions (except for Prague). These regional consulting bodies will have a strategic role in the establishment and coordination of joint programs for receiving aid from the highest source, the Cohesion Fund. They will also play an important role during the realization of the Infrastructure OP.

c) *Post 2006*

Although the Czech Republic has not yet commenced the activities of its operation programs, it already has to think about structural and regional policy in the next planning period. The Czech Republic, as well as other future member states of the EU, has been invited to participate in the discussion about the future shape of these important EU policies. The first draft of the budget for the 2007-2013 period is to be submitted as soon as the end of 2003. It is still not clear whether the intention to increase the share of aid distributed through EU funds from 0,32 % to 0,45 % of EU GDP will be met. It will not be easy; with the accession of new, relatively poor members, the pressure on drawing support will increase significantly while the number of net payers will remain the same.

The Czech Republic is currently preparing an official memorandum concerning this issue. It will probably support the concentration of the resources for Objective 1 regions, as well as maintaining the 75 % GDP per capita rule for this objective. After the accession of new members, the differences between EU regions will increase significantly, and instruments helping to erase them will be very much needed. The future possibilities of receiving aid from the EU, the form and allocation of the individual funds, as well as the number and structure of programs in individual countries are, so far, a great unknown. Therefore, it is even more important that all involved parties in the Czech Republic focus their efforts to accomplish the currently prepared programs in the upcoming shortened, and to a certain degree trial, period to the best of their abilities. This is also a great opportunity for the regions to diffuse the worries of some involved parties, including the European Commission, of the lack of ability to prepare, realize and co-finance a sufficiently large number of quality projects. If they succeed, it will be easier for them to secure purely regional programs according to their individual needs in the next period.

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