

EU Funds: Absorption Capacity and Effectiveness of Their Use, with Focus on Regional Level in the Czech Republic

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Abstract

Paper focuses on the Czech capacity to absorb the EU Structural Funds. In spite the huge amount of money was spent for the increasing of absorption capacity, it is still insufficient on both demand and supply side. We show that this capacity is critically influenced: i) not only by ability of the applicants to prepare projects, ii) but also by the whole system of implementation, monitoring and auditing, prohibiting in-effective use, or even misuse of funds.

1 Definition of absorption capacity

„Two essential requisites need to be systematically pursued so that the Czech Republic can draw full benefit from structural funds and these are linked to recommendations presented above: adequate information dissemination and capacity building in local government and civil society for the conception and implementation of development projects.“ [OECD 2003/2, p. 58].

Absorption capacity can be defined as the extent to which a state is able to fully spend the allocated financial resources from the EU funds in an effective and efficient way. This capacity is necessary for making a maximum contribution to economic and social cohesion [Vitek 1999] with the resources available from the EU funds.

Absorption is a new condition in the allocation of EU funds. Based on past experiences, the Commission arrived to the conclusion that countries have a limited capacity to absorb external investment support effectively and efficiently. There are restrictions on both demand and supply side. The absorption capacity on demand side

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means the actual ability by project applicants to generate acceptable projects. *This paper focuses predominantly on the supply side of absorption capacity, which can be determined namely, by the following three main factors:*

- **Macro-economic absorption capacity** can be defined and measured in terms of GDP (e. g. the upper limit for Structural Funds (SF) and Cohesion Fund (CF) together has been generally defined as 4 % of the GDP of the respective country).;
- **Financial absorption capacity** can be defined as the ability to co-finance EU supported programmes and projects, to plan and guarantee these national contributions in multi-annual budgets, and to collect these contributions from several partners (state, regional and local authorities, private bodies) interested in a programme or project;
- **Administrative capacity** can be defined as the ability and skill of central, regional and local authorities to prepare suitable plans, programmes and projects in due time, to decide on programmes and projects, to arrange the co-ordination among principal partners, to cope with the administrative and reporting requirements, and to finance and supervise implementation properly, avoiding irregularities as far as possible. The capacity is determined by design of the whole implementation system and also by its functioning (operationalization of rules). The capacity comprises structure, human resources, systems and tools. *Structure* relates to the clear assignment of responsibilities and task of legal body, or within it at the level of departments or units and to supervisory and ancillary bodies, such as Monitoring Committees, auditing bodies, partnership, etc. This assignment refers to a range of EU funds tasks, including programming, implementation, management, evaluation and monitoring, financial management and control. *Human resources* relate to the ability to detail tasks and responsibilities at the level of job descriptions, to estimate the number of qualifications of staff, and to fulfil the recruitment needs. Securing the timely availability of highly experienced, well skilled and motivated staff is a key success factor in management of any PEP. *Systems and tools* relate to the availability of instruments, methods, guidelines, manuals, systems, procedures, forms, etc., which enable organizations to transform tacit and implicit knowledge (within the heads of individual people) into explicit knowledge that can be shared across organizations.

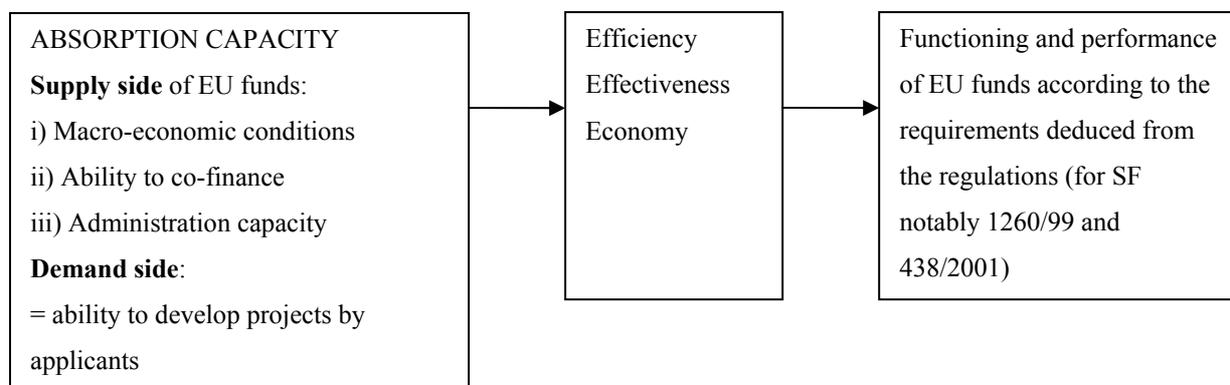
The administrative capacity requirements vary according to the various stages of the policy life cycle.

Management, programming, implementation, monitoring and evaluation, financial management and control all together constitute the policy life cycle.

Functioning and performance of EU funds, i. e. the extent to which the EU funds are being managed effectively and efficiently, can be considered as a *throughput* variable depending on the absorption capacity on both supply and demand side. The absorption capacity only leads to a strong performance of the EU funds if economy, efficiency and effectiveness are taken fully into account [Wright and Nemeč 2003].

The above mentioned remarks can now be summarised in the following formula:

Figure 1 Linkage between Absorption Capacity, 3E and performance of EU funds



The functioning of the SF cannot be measured in the Candidate Countries either, but some indications about the functioning of the future system can be deduced both from the functioning of the pre-accession instruments currently in place (Phare ESC, ISPA, SAPARD) and from preparedness of the implementation system of SF/CF. In all the newly accessing countries there are expected serious problems with absorption capacity. For example Austria experienced the similar situation, where serious problems with allocation were indicated in SF/CF sources especially during the first years after accession. Czech experience with implementation the pre-accession funds (especially SAPARD and ISPA) are similar.

With respect to the criteria influencing the absorption capacity of SF/CF we can summarize, that Czech macro-economic performance enables to draw bigger portion of EU funds than it is planned for years 2004 – 2006 (only 1% of GDP). The ability to co-finance programmes/projects from national public sources is ensured for the period 2004 – 2006, but the big question is a participation of private sources because the administration requirements can overweight their gains from project realization with support from the EU.

Due to our comprehensive research we consider the administrative capacity (i. e. the ability to manage SF/CF funds in compliance with the respective legislative framework) and the ability to prepare projects as the main restriction in using the EU funds effectively in present time.

In the following analysis we concentrate on these two dimensions: on the ability of applicants to develop acceptable projects and on the administrative capacity.

From number of topics defined by the PAF and five topics defined by the operational programmes for intervention of SF in the Czech Republic we included three following sectors to our analysis: regional development, human resources development, industry and entrepreneurship. We excluded rural development and multifunctional agriculture, infrastructure (transport + environment) and also the ISPA and Cohesion Fund.

The following analysis is based on three comprehensive researches. First of them is continuously undertaken by our research team since year 2003. This inquiry involved PAF, SF and regional expenditure programmes in the Czech Republic. The second one covering Ireland, Portugal, Spain and Germany with particular attention to the new Bundesländer was realized by NEI Regional and Urban Development firm for European Commission Regio Directorate General (EC DG Regio) and for EC DG Enlargement in 2002. The third research is being undertaken during these days by ECORYS consortium in all Czech regions NUTS II. – NUTS III. for the Czech Ministry for

Regional Development. The research has started in the fall of 2003 and hasn't been finished yet, but some partial conclusions can be drawn from it.

2 Supply side – administration capacity

Council of the EU has expressed its concern regarding the administrative capacity of the Candidate Countries (CC) in 2001 and defined many problems remaining to be solved in several CC in relation to the preparations for SF/CF. One of the problems consists in the lack of a definition of responsibilities in terms of programming and managing EU funds, which would clearly reflect the requirements of Council Regulation (EC) 1260/99. The same and many other problems (related to the implementation of 1260/99 and 438/2001) were recognized by both researches undertaken by our team and ECORYS two years later.

2.1 Management

The Managing Authorities (MAs) of EU funds are generally located in line with the position in the national hierarchy and the existing administrative structures. Every country under inquiries has elaborated the role of MAs of EU SF + PAF and regional funds in a different way, reflecting the administrative structures, the planning traditions, the balance of power and the size of the country. The variety in the number of operational programmes (OPs) and the balance between Sectoral and Regional OPs is wide across the member states and within CC also. The staffing of MAs (the quantity and quality of staff) is perhaps one of the most central issues in the management of any PEP. Numbers of staff vary widely from one MA to the other, depending on the type of programmes and the delegation of tasks. There is no general rule for this and the regulations make only limited references to human resources. What is a common problem in member states and CC is the ability to recruit and retain highly educated people, with a strong background in finance, law and/or economics. The ability depends on the attractiveness of the government as an employer. According to our research, this is valid not only for central MAs on the level of state administration, but also for regional and local government. From the above mentioned we can derive conclusions for CC: there is no standard model for organising the PEP management and the CC should be careful in copying individual models, as circumstances are considerably different. The smaller number of programmes is logically an important simplification in managing the whole system of any PEP. According to the experiences from the member states it is usual in the CC to design the management of SF in line with the existing national hierarchy and the administrative structures in place. The PAF have followed the same practice, but there is no empirical evidence (except the “common practice”), that this is the most effective way for both SF and PAF system considering at least the serious problems with attracting highly qualified and motivated staff. The various programming and implementation tasks (such as evaluation, monitoring, information, publicity) can be played by delegated from MAs to special bodies or units outside of the MAs. The role can be played by so-called intermediate bodies (IB) or independent private legal bodies. In the Czech Republic it is usual that the IBs are a part of state or regional government (both in PAF and SF implementation structures) and the evaluation is tendered to the private bodies. The role of IBs in the implementation structure of PAF/SF is crucial not only in the management and programming process but also in the implementation of programme, especially on the project level (see below).

2.2 Programming

The whole process of programming in both MS and CC is assessed as labour intensive. It can take up to a year and a half to draft a programme, depending on the number and type of partners involved. The elaboration of the Czech National Development Plan and its complementary documents (SOPs, ROP and programming complements) has taken at least 5 – 6 years and hasn't been finished yet (a month before the EU accession!). The current situation (the end of March 2004) is described in the following Table Publicity of the crucial documents for using SF in the Czech Republic (on the official web site of Czech Ministry for Regional Development - the managing authority of National Development Plan, responsible for the use of SF in the Czech Republic).

Table 1 Publicity of the crucial documents for using SF in the Czech Republic**

	SROP	OP RLZ	OP PP	OP I	OP RVMZ	JPD 2	JPD 3
Operational programme (version approved by EC?)	Final official Czech version approved by EC from 12/2003	n. a.*	Final official Czech version approved by EC from 12/2003	Final non-official Czech version approved by EC from 12/2003	Has not been approved by EC get Draft from 12/2003	Final official Czech version approved by EC from 12/2003	Draft from 02/2003
Complement of programme	Draft 03/2004	n. a.	Draft 12/2003	Draft 02/2004	n. a.	Draft 03/2004	n. a.
Operational manual	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.
Practical guide for applicants	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.
Practical guide for financial operations	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.

EC = European Commission, OP = operational programme, SROP = Joint regional operational programme (JROP), OP RLZ = Human resource development OP (OP HRD), OP PP = Industry and entrepreneurship OP (OP IE), OPI = Infrastructure, OP RVMZ = Rural development and multifunctional agriculture, JPD 2 = Single programming document for Objective 2 (SPD 2), JPD 3 = Single programming document for Objective 3 (SPD 3).

*) on the web site of Czech Ministry of Social Affairs is available non-approved version from 02/2003.

**) JPD 2 a 3 only for Prague, other programmes for all Czech regions NUTS II except Prague.

Source: Czech OPs, NDP on www.strukturalni-fondy.cz

One of the most difficult intellectual activities is to accommodate the strategies, goals and priorities to the programming partners' ideas, political pressures and wishes. All kinds of stakeholders will try to fund as much as possible from their wish list from the programme. Another problem in the programming process is the issue of developing reliable indicators for programming (which remains a problem for MAs in many Member States despite their experience in managing two previous periods of SF. To design the indicators which are usable,

measurable and meaningful, and which subsequent quantification and their mutual consistency in the overall framework is ensured is still hard work within MS and CC also.

In some MS studied, the higher level IBs have been responsible for the production and editing the physical and economic analysis and of the measures texts with the help of the different implementing (lower level) IBs. The involvement of IBs into the programming process may cause the co-ordination task of all partners more demanding or it may enhance it. During the SF programming process in the Czech Republic this practice led to the complications in finding the right IBs and their position and tasks in implementation structure. The evidence we can find in JROP, where the Regional Development Agencies were substitute for Regional Secretariats of Board of Regional Representatives, although they have the above-average experienced staff in comparison with other consultancy firms and probably with regional implementation structures also (for more about the past, present and future of the RDAs in the Czech Republic see OECD (2003), pp. 70 – 71, National Action Plan (2004), p. 33). The second evidence is the OP IE, where the agency CzechIndustry formerly expected as one of the intermediate bodies was integrated into CzechInvest and the IB's role shifted from the CzechIndustry to the CzechInvest.

The consequences for CC we can summarize into the following paragraph. The programme will not be effective, if written from behind the ministerial or self-government office desk [see Sumpikova et al 2003]. The precondition of successful programme is the wide support and feeling of the ownership and responsibility of involved parties. The partnership is crucial moment in the acceptance of programme and it could range from consultations afterwards among a limited group of stakeholders (asking stakeholders for their opinion on draft programmes) to full-fledged and wide-ranging partnership, involving social and regional partners, politicians and NGOs. On the other hand, the partnership logically requires much higher level of coordination and negotiation skills than the ministerial desk. A ground for formalisation of partnership is Monitoring Committee, a standard part of any PAF/SF implementation structure.

2.3 Implementation

The administrative structure of implementing PAF/SF can be very complicated. The usual model is as follows: MAs provides advice and information on EU policies and rules, promotes the use of guidelines and procedural manuals, monitors, evaluates and runs the financial control. The larger part of the programme implementation is usually delegated to intermediate bodies, which stay between MAs and the final beneficiaries, are the first recipients of applications and the first level at which compliance with eligibility rules is analysed and improved. They are also responsible for the different tasks ranging from evaluation, selection, and monitoring of co-financed projects to the production of certifications of expenditure and six-monthly and annual performance reports. Therefore the IBs play the crucial role for effectiveness and success of programme.

Beside to various agencies and bodies, Ministries – practically their selected departments - can be involved as intermediate bodies as well (see for example the Czech HRD OP). This system often coincides with a “multi-tier” implementation system in which tasks are delegated further by such a “first level” IB to “second level” IB. The numbers of IBs vary among individual PAF/SF, individual OPs, and countries. It can easily amount to 30 or 40 IBs per one OP and according our research the similar situation is in PAF. In Czech JROP there are 26 IBs (13 secretariats of Board of regional representatives, 13 regional offices of the Centre of Regional Development + central unit of CRR). In Czech OP IE we can find 37 IBs: 13 regional offices of CzechInvest + central unit of

CI, 8 offices of the Czech-Moravian Guarantee and Development Bank, a.s. (5 regional branches of + 1 regional office + 1 information centre + 1 central unit), 1 central unit of CzechTrade + 13 regional information points (its role is usually played by Chambers of Commerce in each self-government region NUTS III.), 1 central unit of Czech Energy Agency.

According to the NEI study and our research too there is a difference between sectorally oriented IBs and regionally oriented IBs. For the implementation of SOPs, recourse is often taken to national development agencies, foreign investment agencies, tourism agencies and development banks. ROPs can have as implementing bodies: municipalities, associations of municipalities and civil society organisations such as regional development agencies, development associations and other non-profit organisations.

2.4 Monitoring and evaluation

According to the Article 35, 1260/99 the Monitoring Committee is the highest decision-making body in each OP, SPD or CSF (Community Support Framework). The total number of MC is directly proportional to the number of OPs and ranges from 7 (Ireland) to 25 (Spain). In the Czech Republic we designed 8 MC for SF: one MC of the National Development Plan (CSF), 5 MC linked to the OPs and 2 MC for SPD.

According to the NEI and our research, too, the MCs of PAF/SF tend to be rather formal and political in nature. The involvement of various Ministries, social and regional partners and NGOs requires a careful preparation of meetings and their intelligent chairing. Due to its structure, the identification of MC members is a time-consuming and sensitive process.

The monitoring tasks can be enhanced by IT-based monitoring information system, but the systems are not fully in place yet neither in the MS nor in the CC studied. Each country shows different models, although in all of them some type of centralized monitoring system has been developed. In the Czech Republic it is newly introduced the Monitoring System of Structural Funds (MSSF), which was officially published on web site in draft version on 31st March 2004 (see www.strukturalni-fondy.cz).

Ex-ante, mid-term and ex-post evaluations are to a small or large extent contracted out to private independent bodies on the base of tender. The evaluations can be carried out by private consultants, universities or individual scholars. Commonly, the CSF MA for PAF/SF provides the Terms of Reference and the evaluation method to be used while OP MAs contract out the work. Czech experience from PAF is that the detail reports from evaluations are not usually published and the reports to EC content only the total amount of money spent in the separate fields (often in non-comparable structure with previous report) and the number of supported projects (see Annual report, system of evaluations OMAS in Phare, OECD survey). The local, independent evaluation expertise is not sufficiently in place in CC, at least not in accordance with international quality standards. The evaluation of national, regional and local policies play important role not only in the process of the programme implementation but due to the policy life cycle for the programmes preparations in future.

According to the NEI report the status of the monitoring systems in the MC studied was often less advanced than one would expect on the basis of the rich experiences gained in managing the SF. The experience from both PAF/SF implementation showed that it is hard to develop a system which is useful for all actors, reliable, and at the same time user-friendly and up-to-date. The functioning of PAF monitoring system is an issue of monitoring responsibilities for each PAF clearly assigned at level of job descriptions, existence of qualified monitoring officials for each PAF, existence or a full utilisation of a functioning computerised monitoring system. It is

important that only a part of monitoring officials was attached to the PAF, that provide an opportunity for developing the necessary competencies in this field. The most experienced staff from Ministry for Regional Development and Centre for Regional Development are expected to play role only in monitoring and control (MRD, CRD), whereas the Regional Development Agencies were totally excluded from the implementation system (see above).

2.5 Financial management and control

The importance of financial management and control has increased significantly for the programming period 2000 – 2006 in all MS studied, particularly due to Regulation No. 438/2001 which led to the separating of Paying Authority (PA). The allocation of tasks and competencies between the MAs, PAs and IBs is not always evident by itself. Main tasks of the PAs include especially managing the payment of EU Funds, submitting certified payment applications to the Commission, recover sums due to the Funds, keep a record of recovery orders, supply expenditure forecasts to the EC.

The NEI report indicated that the functioning of the PAs is rather comparable across the countries studied. PAs have been established for each of the SF, the ERDF-PA tends to be joined with the Cohesion Fund-PA and often located within the co-ordinating Ministry (not in the Czech Republic, where the co-ordinating Ministry is Ministry for Regional Development, where the ERDF-PA was established, while the Cohesion Fund-PA was established within the Ministry of the Environment). The PAs for the ESF, EAGGF and FIFG in MS studied tend to be located within the respective line Ministries. In the Czech Republic the ESF-PA is a part of the Ministry of Labour and Social Affairs and the EAGGF-PA and FIFG-PA are included in the Ministry of Agriculture.

The requirement of the system-based audits derived from the Regulation 438/2001 led to the establishing Internal Audit Units, at least at the top of the cascade. These tend to be staffed by regular civil servants, who have received auditing training. Lower in the hierarchy, auditing functions tend to be contracted out to private legal bodies.

From the above mentioned and also from the PAF practice we can derive the following recommendations. The designation of PAs is without any doubt an important issue. Despite the common practice in the MS it can be advantageous for CC to simplify and to concentrate activities into one PA (certainly for countries following the Single Programming Document model). A good division of tasks with the MA and with the internal and external auditing functions is needed.

The existence of practices to deal with financial irregularities is an indication of the ability of the CC to take this matter seriously. The publishing of records on financial irregularities, a track record on appropriate measures and the existence of a competent and active national court of auditors can be also indicators of well established financial management and control of any PEP not only EU Funds.

With respect to this topic we found out that the Czech public procurement law hasn't been harmonized with the EU law yet. The new Public Procurement Act No. 40/2004 Coll. approved by the Czech Parliament in December 2003, virtue since 1st May 2004 don't follow the EU law in some paragraphs.

3 The current absorption capacity of the EU funds in the CR

“The strong expansion of the EU’s regional development policy, which has replaced many national regional development programmes, has guided the evolution of regional policy in Europe and has had a strong influence on the instruments used. Firstly, many programmes require strong involvement from regional and local governments, as well as non-governmental organisations and the private sector. Secondly, there is a strong focus on developing regional strategies that *de facto* combine sectoral policies in a regional context.” (OECD, 2003/1, p. 6).

With respect to providing the up-to-date analysis we decided to highlight only analysis in SF absorption capacity and to deny PAF.

The evaluation of the current situation on the supply side is based on our research undertaken in selected regions NUTS III and on the National Action Plan (2004) elaborated on the base of inquiry in all 13 regions NUTS II (except Prague) in November 2003. The data for the demand side analysis were obtained from the National Action Plan (2004).

3.1 Supply side in the CR

The setting of SF implementation system on the regional level is still in process and many questions still remain unanswered, such as staffing with high-skilled employees. The inquiries show that the Regional Secretariats of the Board of Regional Representatives (RS-BRR) are not well prepared for their function as promoters of projects and their experiences with implementation of programmes and projects are relatively small if any (only 1/3 of respondents have some experiences with implementation of EU programmes, especially PAF). The similar problem is in regional offices of CzechInvest, that are staffed in these days mainly with graduates. The increasing needs for assistance is evident both in the newly established bodies, and also in the already existing bodies, but charging with new tasks.

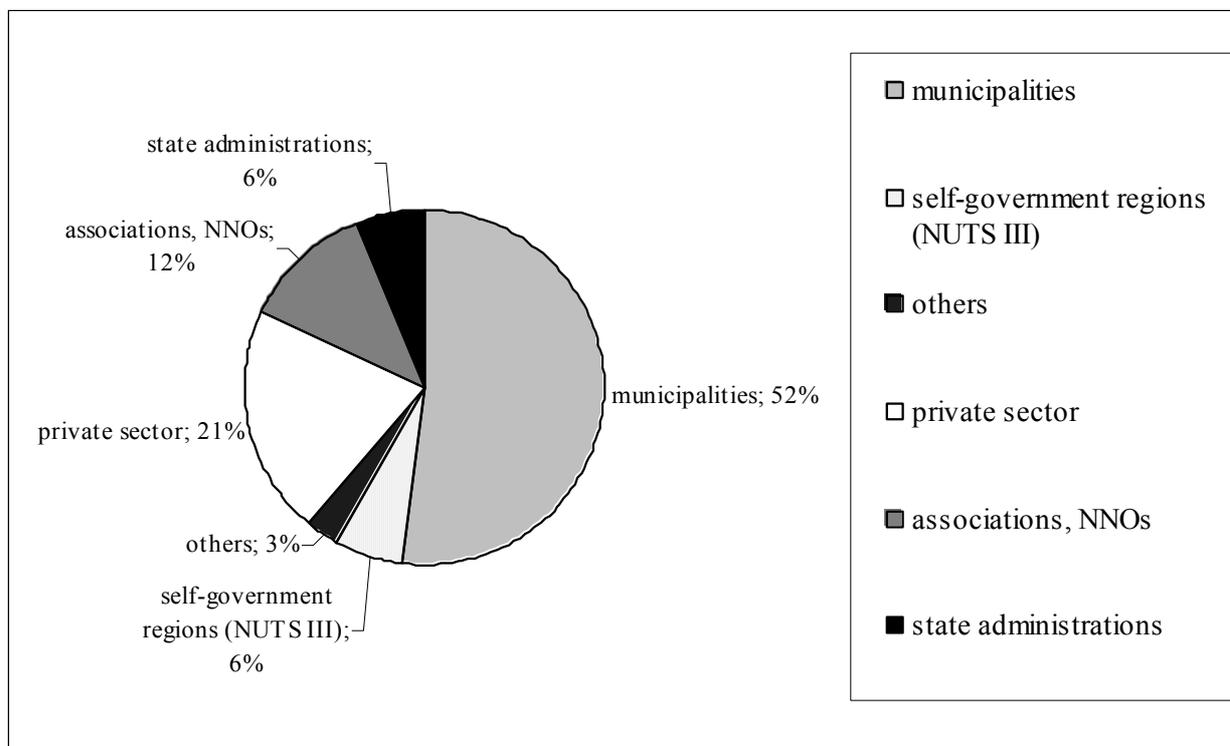
The personal capacity of selected OPs implementation structures is very limited with respect to the expected requirements in the most of NUTS II.

Acute lack of information and experiences was found out in the following fields: i) evaluation of projects!, ii) preparation of grant schemes, iii) preparation of call for proposals and public procurement, iv) reporting, v) financial control. Respondents logically perceived the experience gap in initialization activities, such as i), ii), iii), while the problems with subsequent tasks, such as iv), v) and others will come later in the phase of project implementation.

3.2 Demand side in the CR

The analysis of projects, projects aims and visions, which have been undertaken in the fall 2003, involved various potential applicants from 7 regions NUTS II. (Objective 1). The composition of project proposals by respondents is shown in the following Figure.

Figure 2 Structure of project proposals by respondents



Source: National Action Plan, 2004

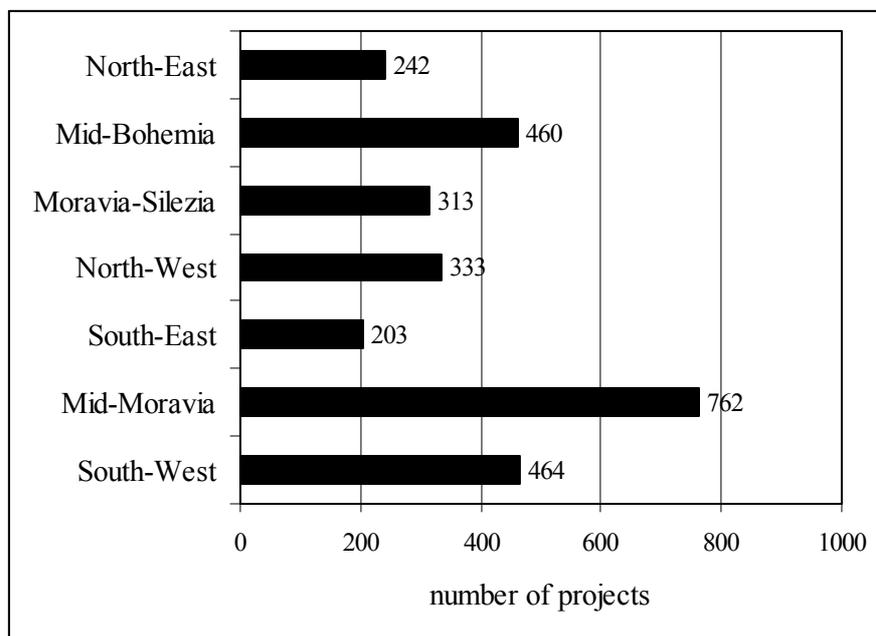
Research was conducted on several levels: i) ministerial (on the web site of MRD), ii) consortium Ecorys as a provider of National Action Plan, iii) regional implementation level incl. self-government regions level (Secretariats of BRR), iv) inquiry of self-government regions and other institutions (regional Chambers of Commerce). The research had to overcome many obstacles, such as a fear of stealing the project idea. The regional absorption capacity was measured by the number of projects identified in the regions NUTS II. This number was probably influenced by the pre-selection of projects accomplished by the regional governments (especially in South-East and North-East regions). There were identified 2777 projects in various stages of preparation, somehow applicable for the JROP (61% from total number of projects), OP IE (22%) or OP HRD (17%). The domination of JROP projects corresponds to the structure of respondents, where 52% represents municipalities. The number of private (firms) projects overweighs the municipalities only in NUTS II. Middle Moravia, especially in NUTS III. – Zlin, where the number of private project was two times higher than municipalities.

Regarding to the municipalities, there is significant distinction between the approach of small municipalities and big cities. While big cities have often highly experienced staff, the small municipalities rely on the external consultancy. We can find visible differences in the regional performance of non-governmental non-profit organizations (NNO) and also the distinction in the projects skills between small and big NNOs. The important problem is, that NNO usually couldn't cope with the setting the quantifiable project outputs, outcomes and impacts. Explanation probably lies in the previous less demanding practice of PEP (especially in Czech PEP), where these kinds of information haven't been requested in project proposal (and implementation too). The

lower number of private (firm) projects corresponds probably with the following facts: i) important part of projects will go into „grant schemes“ not directly into Measures of Ops, ii) unclear situation in the public assistance law, iii) lower motivation and skills originating from the previous relatively restricted PEP support, especially in the tourism, iv) a fear of stealing the project idea.

The analytical validity of these data is influenced by the following facts: i) the inquiry concentrated mainly on the number and the level of preparedness of projects, ii) the main criteria was the eligibility of co-financing from the SF, ii) the research didn't take into account neither the feasibility, nor the size of projects (i. e. budget and co-finance share). As a consequence, the analysis has rather a character of expert estimation. The findings are displayed in the following Figure.

Figure 3 Number of proposed projects per region NUTS II



Source: National Action Plan, 2004

The absorption capacity in the sense of ability to co-finance projects is hard estimated from the obtained data due to likely insufficient knowledge of individual respondents about the fields and conditions of the SF interventions. This misunderstanding is obvious from many infrastructure proposals intended to apply for European Social Fund and/or asking for higher rate of support than is allowed. We can derive only main trends from the inquiry, such as a several times higher interest in submitting the infrastructure projects (“hard”) than in non-infrastructure (“soft”), what probably corresponds with the high participation of municipalities in inquiry. But the preparedness of projects seems to be higher among “soft” projects. The second problem we can identify as a size of projects – major part of projects are either small (under 0,5 mil. EUR) or mid-sized projects (more than 5 mil. EUR) that will demand higher administration work and costs. The overall preparedness of projects is unbalanced (it is better in infrastructural projects of municipalities or self-government regions) and rather low and the expectations of applicants about the rate of co-financing and supported activities are excessive.

Absorption capacity of potential applicants is logically influenced with their ability to submit complete project proposal including activities, quantifiable outputs, outcomes and impacts. These skills are evaluated by respondents themselves as insufficient. On the other hand it is evident that the ability to elaborate projects is

better among respondents with experiences from PAF. The lack of information and especially of experiences and skills is perceived especially in the field of co-financing from several different sources, financial management and economical and financial analysis and last but not least in the field of know-how of integrated projects. It is clear that transformation of theoretical knowledge acquired from manuals or many seminars is a hard task for all respondents.

4 Summary

In spite of the huge amount of money was spent for the improvement of absorption capacity of the candidate countries, the capacity of regional and local implementation structures in the Czech Republic to work in programme bases environment is still insufficient in comparison with the indicatively planned EU financial sources. The preparedness of OPs, programme complements, manuals for applicants is delayed and will probably cause the lag in drawing SF in the whole country.

The similar situation is on the applicants' side; where besides big cities and self-government regions is only small number of highly experienced and skilled applicants and their partners. The rate of acceptable proposals is significantly higher in the regions, which have been experienced with the PAF and/or the pilot operational programmes. The interest in infrastructural projects is several times higher than in non-infrastructural ones. The absorption capacity on the demand side is especially low in the human resource development field. The overall preparedness of projects for SF is unbalanced and rather very low. The expectations of applicants about the rate of co-financing and supported activities are excessive.

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