

Implementation of European Union Funds in the 2007–2013 Programming Period

Petr Hovorka and Jan Kůs

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Policy briefs of the Ministry of Finance of the Czech Republic are designed to provide information on current issues related to economic policy, with particular emphasis on fiscal policy. Policy Briefs are refereed by a Ministry of Finance internal opponent. The decision to publish the paper by the relevant department is based on the judgement of the head of the particular unit responsible for dealing with the given issue.

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Introduction

European Union funds have become a very important financial source for the economic policy priorities of the Czech Republic in recent years. Total allocation for the Czech Republic in the programming period 2007–2013 was set at CZK 26.7 billion EUR, which represents approximately a half of general government expenditure in 2013. Although the new programming period for 2014–2020 began this year, the additional creation of liabilities and especially the actual payment of funds to final beneficiaries of subsidies from the financial perspective 2007–2013 will continue in 2014 and 2015, and even to a limited extent in 2016 (for more information about the rule $n+2/n+3$ ¹ see MMR, 2014b). Nonetheless, the already advanced phase of the programming period 2007–2013 does provide us with an opportunity to generally assess its main trends.

The aim of this paper is to evaluate the distribution of support financed from the Economic and Social Cohesion Policy, according to knowledge of detailed information on the structure of supported projects and types of beneficiaries. Also analysed are the differences between individual operational programmes, based on the size characteristics of supported projects and their various purposes with respect to their beneficiaries.

This study deals with financing from three European Union (EU) funds – the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Cohesion Fund (CF). These funds finance in total 24 operational programmes (OP) intended for the Czech Republic, of which 18 fall under the remit of the Czech managing authority, i.e. the relevant ministries or regional councils of cohesions regions and Prague City Hall, which are responsible for realisation of the assigned operational programmes (MMR 2014b). After excluding the OP Cross-Border Cooperation CR-Poland, the study focuses on the remaining 17 programmes (see Table 1). Allocation for individual operational programmes is set by European Commission in euros. For an approximate conversion, the exchange rate of 27.42 CZK/EUR was used, the same figure used in the last Quarterly Monitoring Report MMR (2014b). Due to fluctuation in the exchange rate, the total allocation expressed in Czech currency changes over the course of the programming period.

Table 1: Operational Programmes Included in the Analysis

OP Abbreviation	Name of OP / ROP	Financial source	Managing authority	Allocation-EU sources (CZK bn.)	Share in total allocation (%)
1st target: Coverage					
Thematic OP					
OP T	OP Transport	CF/ERDF	Ministry of Defence and Armed Forces	151,7	21,5
OP E	OP Environment	CF/ERDF	Ministry of the Environment	130,6	18,5
OP EI	OP Enterprise and Innovation	ERDF	Ministry of Industry and Trade	81,8	11,6
OP RaDfI	OP Research and Development for Innovations	ERDF	Ministry of Education, Youth and Sports	55,3	7,8
OP EC	OP Education for Competitiveness	ESF	Ministry of Education, Youth and Sports	46,6	6,6
OP HRE	OP Human Resources and Employment	ESF	Ministry of Labour and Social Affairs	49,9	7,1
IOP	Integrated Operational Programme	ERDF	Ministry of Regional Development	42,8	6,1
OP TA	OP Technical Assistance	ERDF	Ministry of Regional Development	4,6	0,7
Regional OP					
ROP NW	ROP NUTS II North-West	ERDF	RC North-West (Usti nad Labem)	19,8	2,8
ROP MS	ROP NUTS II Moravia-Silesia	ERDF	RC Moravia-Silesia (Ostrava)	19,7	2,8
ROP SE	ROP NUTS II South-East	ERDF	RC South-East (Brno)	18,8	2,7
ROP CM	ROP NUTS II Central Moravia	ERDF	RC Central-Moravia (Olomouc)	17,6	2,5
ROP NE	ROP NUTS II North-East	ERDF	RC North-East (Hradec Kralove)	17,4	2,5
ROP SW	ROP NUTS II South-West	ERDF	RC South-West (Ceske Budejovice)	16,6	2,4
ROP CB	ROP NUTS II Central Bohemia	ERDF	RC Central Bohemia (Prague)	14,9	2,1
2nd target: Regional competitiveness and employment					
OP PC	OP Prague - Competitiveness	ERDF	Prague City Hall	6,3	0,9
OP PA	OP Prague - Adaptability	ESF	Prague City Hall	3,0	0,4

Source: MMR (2014b).

¹ This rule establishes the deadline for implementing the allocation for a given year. For the years 2007–2010 the rule $n+3$ was applied, and for the years 2011–2013 the rule $n+2$ is used. For example, the total allocation for 2010 had to be implemented before the end of 2013.

1 Methodology and Data Sources

Data for the analysis were primarily obtained by joining two publicly available databases. The first is a database of beneficiaries of support, which is administered by the Ministry for Regional Development (MMR, 2014a) and includes basic information about the supported projects in the programming period 2007-2013, mainly the amount of contracted support, the amount of funds pre-financed so far, the OP from which support is paid, the EU fund ensuring financing and also the identification of beneficiaries using the identification number. The second source is the Business Registers – a database administered by the Czech Statistical Office (CZSO, 2014c), from which have been acquired the basic characteristics of beneficiaries according to their identification number. By joining the databases the number of attributes was substantially expanded, which subsequently has allowed us to examine the data from different perspectives.

Among key attributes requiring some explanation as to methodology are the amount of allocation and the volume of already pre-financed resources. A project's allocation represents the expected EU contribution on a given project (for which a contract between the managing authority and final beneficiary has been signed²). The second important attribute is the pre-financed amount; this is the amount already provided to a given project from the state budget irrespective of whether the project was certified from the EU or not. Certification here refers to the process of confirming the accuracy of data submitted by managing authorities and confirmation that expenditure included in statements is used consistently with the legal framework of EU and the Czech Republic. Subsequently, certification leads to reimbursement from the EU³ to the state budget from which expenditure was originally pre-financed. Cases in which a project was accepted with a certain allocation and was then cancelled are not included in this analysis.

Although questions concerning the impact of the uptake of EU funds on the general government balance from methodological viewpoint are described in more detail in other publications (for example MF CR, 2012, 2013), it is worth mentioning that the total pre-financed amount from the state budget, which is subsequently reimbursed from EU, has a neutral impact on general government balance in the ESA 95 (or ESA 2010) methodology, because the expenditure is offset by the accrued revenue subsidy from the EU. On the other hand, in the national cash flow methodology, the balance is affected since the cash revenue is only in the amount of actually received reimbursements from EU through the National Fund to the state budget in a given year. This principle applies only to European co-financing, Czech financing is treated in the same way as other purely Czech expenditure.

Whereas the overall allocation for the Czech Republic is calculated in euros, the creation of the liability itself and payments are realised in Czech crowns.

² In using the expression “signing a contract” we refer here to the legal act that provides subsidy/funds to beneficiaries.

³ For more detailed information on the overall process of implementing resources from EU funds see, for example, MMR(2014b).

2 Analysis of the Implementation of EU Funds

The following text sets out in brief, the results of the analysis of the course so far of the EU funds uptake in the programming period 2007–2013. Knowledge of the detailed structure of financed projects within individual OPs, as well as basic information about their recipients allows us to conduct this assessment from several different perspectives.

2.1 Overall State of Implementation

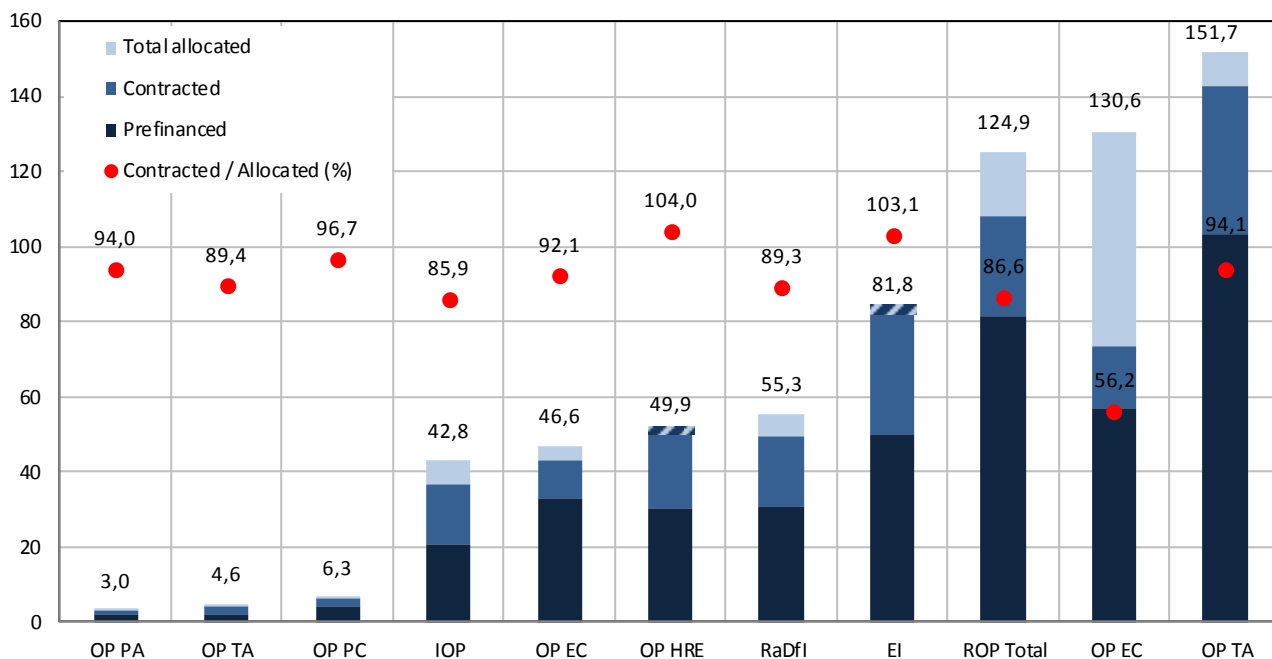
Looking at the current situation of the uptake of funds based on the progressive phases of the project cycle, noticeable differences between individual OPs are obvious. The implementation progress is assessed both on the basis of the contracted amounts backed by subsidy agreements between managing authorities and final beneficiaries, and on the basis of the amounts already paid to final beneficiaries. These figures are considered in the context of the overall allocation of the respective OP. From the perspective of subsidy beneficiaries and thus also *de facto* from the perspective of the benefits for the domestic economy of realising the Economic and Social Cohesion Policy, these indicators are crucial and indicate the amount of money that has already been invested in the economy, or that very probably will be invested in the upcoming period. Volumes of so-called certified expenditure as well as actually paid (refunded) funds by the European Commission are not evaluated in the analysis. This is due to the unavailability of these indicators in the same structure and detail as we have for the data on contracted and pre-financed expenditure.

As of 3 April 2014, the database of beneficiaries of EU funds included 50,743 projects (both completed and in the implementation phase) with total contracted support of nearly CZK 603 billion, which comprises more than 86% of the total allocation for the programming period 2007-2013. Significant problems in selecting suitable projects for funding are evident in the case of OP Environment, where only approximately 56% of the total programme allocation has already been contracted (see Chart 1). An unfavourable situation is also to be found in some ROPs (Northwest, Moravia-Silesia), where the share of the contracted amount within the total allocation is less than 80%. The opposite case is represented by OP Enterprise and Innovation and OP Human Resources and Employment; here the total programme allocation has already been “over-contracted” by 3 and 4%, respectively. When payments to beneficiaries exceed the OP’s total allocation, the difference is fully funded from the state budget. However, analysis of the already completed projects (of which more than 28 thousand are contained in the database for the monitored programmes) shows that the amount actually paid is on average 7% lower compared to the contracted sum. This discrepancy could be influenced by the ineligibility of some project expenditure.

Individual OPs differ not only in the achieved ratio of contracted projects, but also in terms of how the conclusion of contracts for the provision of subsidies proceeds during each year of the programming period. The fastest start-up is evident in OP Transport, where nearly 40% of the allocated amount was contracted during the first two years of the programming period. A very uneven distribution, time-wise, for the signing of contracts is also apparent at OP Research and Development for Innovations. Given the fact, that this programme having been approved by the European Commission on 1 October 2008 and the first call being published in December of the same year, not one contract was concluded in the first two years of the programming period. Activity in placing allocated funds was then concentrated in 2011, during which year contracts for more than half of the total allocation were concluded.

Chart 1: Uptake of Funds According to Operational Programme

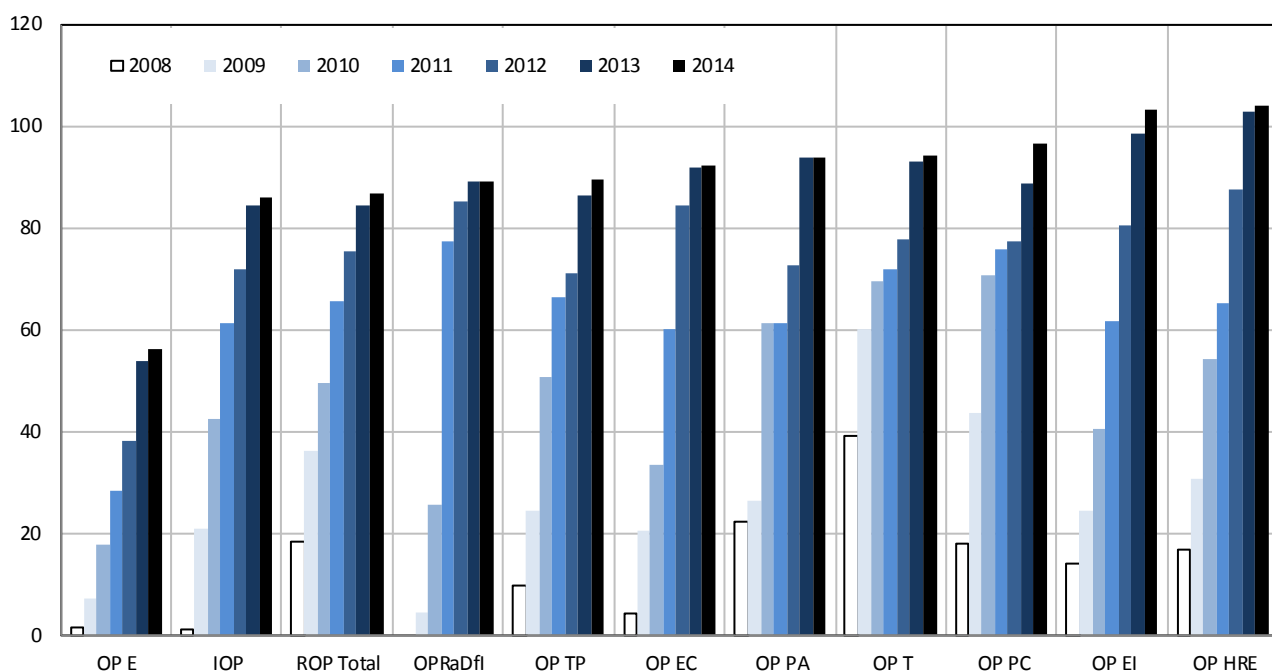
(in CZK billion)



Source: MMR (2014a,b).

Chart 2: Progress of Contracted Amounts According to Operational Programme

(in % of operational programme's total allocation)



Source: MMR (2014a,b).

Generally speaking, contracts for relatively large projects, where beneficiaries of the subsidy were mostly entities within the government sector, were among the first to be concluded at the start of the programming period. Differences emerging in the course of uptake over time relate to the different focus of individual OPs, as well as to way the organisation of calls by the managing authorities differed. The course of concluding contracts was also affected to certain extent by problems confronted by most OPs due to errors in the utilisation EU funds during the programming period.

2.2 Basic Size Characteristics of Projects

A glance at the basic size characteristics of projects supported under individual OPs reveals their very different focus. Programmes to help build „backbone“ infrastructure, either in the area of transport (OP Transport) or science and research (OP Research and Development for Innovations) include a small number of financially extremely demanding projects. Together with the smallest “Prague” operational programmes and OP Technical Assistance, these programmes are thus characterised by relative homogeneity from the perspective of the financial demands of supported projects.

In terms of size, projects from OP Human Resources and Employment are extremely heterogeneous; this is especially true of projects from the Integrated Operational Programme, which is also very heterogeneous in terms of project objectives. This diversity in the size of supported projects can be characterised by the fact that, for example, more than 91% of the total contracted volume has already been spent on 10% of the most expensive projects. In regional operational programmes (ROPs), which all have similar focus, the managing authorities have exhibited different strategies. For example, the average value of a project approved for financing under ROP North-West is nearly three times higher than in the case of ROP Central Moravia.

Table 2: Size Characteristics of Projects

(amounts in CZK million)

Operation Programme	Contracted	No. of projects	Average price	CoV	Q10
OP Transport	142 662	209	682,6	1,98	0,59
OP Enterprise and Innovation	84 340	10 766	7,8	5,67	0,58
OP Environment	73 351	9 618	7,6	3,74	0,67
OP Human Resources and Employment	51 823	5 224	9,9	9,89	0,70
OP Research and Development for Innovations	49 394	176	280,6	2,21	0,52
OP Education for Competitiveness	42 953	10 247	4,2	3,57	0,60
Integrated Operational Programme	36 754	8 120	4,5	5,60	0,91
OP Prague - Competitiveness	6 131	272	22,5	2,03	0,53
OP Technical Assistance	4 149	142	29,2	1,76	0,47
OP Prague - Adaptability	2 816	911	3,1	1,07	0,27
ROP total	108 589	5 057	21,4	1,88	0,51
ROP NUTS II South-East	17 945	789	22,7	1,68	0,48
ROP NUTS II South-West	16 144	824	19,6	2,10	0,53
ROP NUTS II North-East	16 097	624	25,8	1,46	0,43
ROP NUTS II Moravia-Silesia	15 567	789	19,7	2,38	0,59
ROP NUTS II Central Bohemia	14 485	811	17,9	1,59	0,45
ROP NUTS II Central Moravia	14 390	908	15,8	1,91	0,45
ROP NUTS II North-West	13 961	313	44,6	1,54	0,47
Total	602 962	50 743	11,9	-	0,77

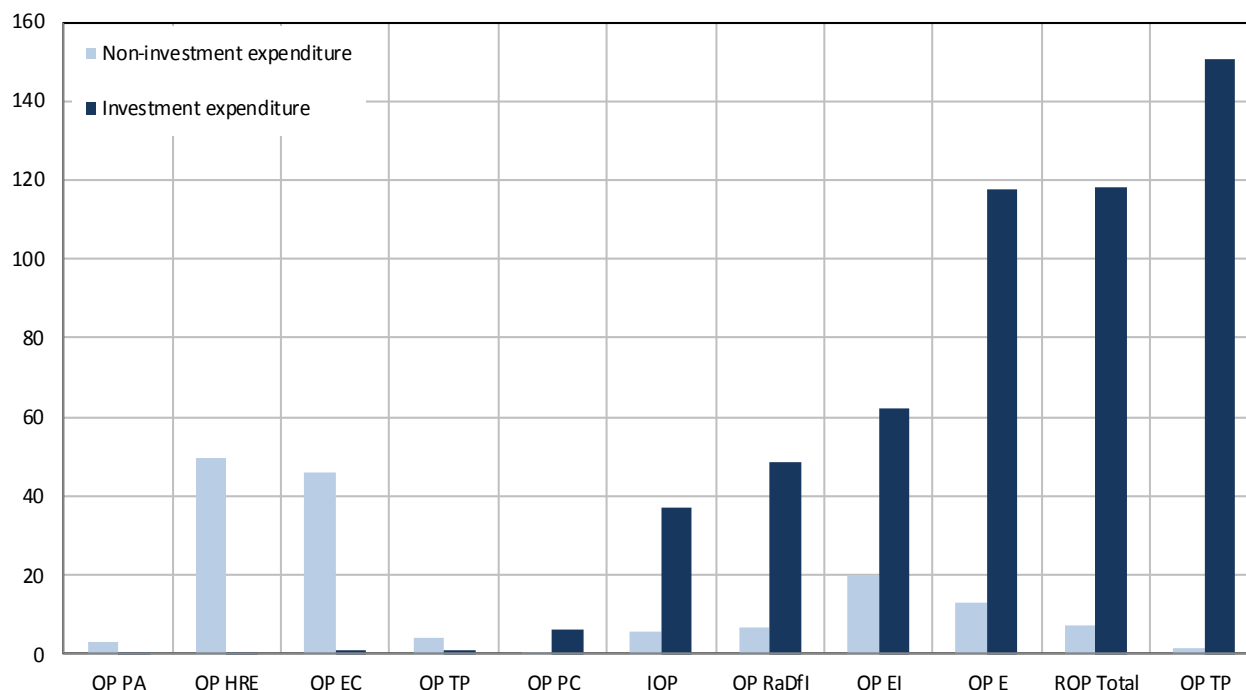
Note: CoV =Coefficient of Variation (related to contracted projects from EU Funds). Q10 = Share of 10% of the most expensive projects in the total programme expenditure.

Source: MMR (2014a), Calculations MF CR.

Significant differences in the size characteristics of projects supported within individual operational programmes are largely related also to whether the support of these OPs is primarily focused on investment or non-investment projects. The breakdown of expenditure into investment and non-investment is not available at the individual project level; nevertheless, the aggregated data for overall applications for payments are provided for operational programmes by the National Fund. The share of capital expenditure generally reflects whether the OP is financed through the European Regional Development Fund and the Cohesion Fund (designed primarily for investment projects) or through the European Social Fund, which is focused on non-investment activities (see Table 1). However, it is obvious that within some operational programmes (especially OP Enterprise and Innovation and OP Research and Development for Innovations) which are financed from funds focused on investment projects, a significant share of realised expenditure is also non-capital in nature (see Chart 3).

Chart 3: Share of Investment and Non-investment Expenditure in Total Operational Programme Allocation

(in CZK billion)



Source: MF CR.

2.3 Beneficiaries According to Institutional Sector

General government is the biggest beneficiary of EU funds, with more than a 70% share of the total contracted amount so far (Table 3). Financial resources in this sector flow mainly from OP Transport (30%) and OP Environment, whose share in the total contracted amount for the general government sector is nearly 13%.

Table 3: Project Characteristics According to Institutional Sector of the Beneficiary

(in CZK million)

Sector	Contracted	Prefinanced	Contracted/Prefinanced (%)	No. of projects	Average price	CoV
Nonfinancial corporations	141 943	85 667	60,4	16 745	8,5	7,81
Financial corporations	6 189	5 677	91,7	30	206,3	3,67
General government	427 019	302 893	70,9	28 674	14,9	9,55
Central government	254 881	173 749	68,2	3 746	68,0	5,52
Local government	172 138	129 144	75,0	24 928	6,9	3,63
Households	5 914	4 743	80,2	2 023	2,9	1,65
Nonprofit institutions serving households	21 466	15 272	71,1	3 270	6,6	3,64
Total	602 962	414 253	68,7	50 743	11,9	-

Note: CoV = Coefficient of Variation (related to contracted projects from EU Funds). More than 97% of the contracted amount flowing into the financial enterprises sector was allocated to the Czech-Moravian Guarantee and Development Bank from OP Enterprise and Innovation. The bank then provides these funds to support other entities and is not the final beneficiary.

Source: CZSO (2014c), MMR (2014a), Calculations MF CR.

If we further divide the general government sector into the subsectors of local and central government (the significance of the social security funds subsector is only negligible in this case), then approximately two thirds of general government contracts are directed towards central government. The most significant influence here undoubtedly belongs to OP Transport, constituting more than one half of the amount contracted by the central government subsector. The biggest beneficiaries of the programme are the semi-budgetary organisation Road and Motorway Directorate and the state enterprise Railway Infrastructure Administration; a small fraction also flows to the Directorate of Waterways, State Infrastructure Administration Fund and the Ministry of Transport (a breakdown of beneficiaries within the government sector is set out in Table 4). The majority of OP Transport resources are intended for the trans-European transport network (TEN-T) in the Czech Republic, which is aimed at improving international transport infrastructure. Due to the generally very high costs of these projects, the central government subsector has the highest

average price per project (figures for the financial enterprises sector have only limited informative value – see note below Table 3) and also a relatively small number of projects compared to local government.

The second largest share (almost 16%) of the contracted amount in central government goes to OP Research and Development for Innovations. The final beneficiaries of this programme are primarily public research institutions, other research centres and universities (among the biggest are the Institute of Physics of the Academy of Science and Masaryk University). Another important programme from the government sector point of view is OP Human Resources and Employment, forming 11% of the contracted amount. The beneficiaries are mainly the Ministry of Labour and Social Affairs and Labour Offices. Another 9% of the overall contracted amount originates from OP Education for Competitiveness, with major beneficiaries including the relevant ministries, schools, research institutions and educational institutes.

Table 4: Final Beneficiaries within General Government

(in CZK million)

Legal form	General government total	Central government	Local government
Semi-budgetary organisations	105 063	18,6%	6,0%
Municipality or City Hall of the Capital City	89 098	-	20,9%
Railway Infrastructure Administration	59 877	14,0%	-
Budgetary organisation	56 314	13,2%	-
Public universities	44 556	10,4%	-
Region	43 937	-	10,3%
Public research institution	12 782	3,0%	-
Association of Municipalities	9 252	-	2,2%
Regional Councils of Cohesion Regions	3 675	-	0,9%
State fund	1 861	0,4%	-
Associations of legal entities	589	-	0,1%
Educational legal entities	12	-	0,0%
Limited liability companies	3	-	0,0%
Total	427 019	59,7%	40,3%

Source: CZSO (2014c), MMR (2014a), Calculations MF CR.

Local government subsector units have so far contracted approximately 40% of the general government amount. Almost one half is attributable to regional operational programmes, whose beneficiaries are mainly municipalities, regions, associations of municipalities and elementary and secondary schools. Another important programme is OP Environment (from which central government receives only a small fraction), which represents about 30% of the contracted amount in local government. Projects financed from these resources especially include projects for improving water and air quality, better utilisation of energy resources, improving the environment and countryside, and better waste management.

A substantial recipient of EU funds is also the non-financial enterprises sector, whose share in the total contracted amount is about one quarter. Almost one half of the amount is financed from OP Enterprise and Innovation, for whom this sector is a major recipient. The vast majority of funds are channelled into national private non-financial enterprises and a relatively small amount is dedicated to enterprises under foreign control. Approximately 13% of contracted support for non-financial enterprises is from regional operational programmes. Funds are allocated in this case mainly into public non-financial enterprises; these can be, for example, hospitals or public transportation enterprises. The OP Environment has a share of approximately 11%. Non-financial enterprises have so far contracted almost CZK 8 billion from OP Transport, where practically all resources (94%) flow into the Prague Public Transport Company.

2.4 Beneficiaries According to NACE Classification

Another aspect in evaluating the distribution of support from EU funds is the purpose towards which the uptake is directed. For this, the classification of beneficiaries according to the Statistical Classification of Economic Activities NACE was used (see CZSO, 2014a). An overview is given in Table 5.

In terms of final beneficiary classification, the method of predominant activity, which is also used in the compilation of national accounts, is applied. Although it is very common that a particular entity performs several types of activity which fall into different classifications according to NACE, only the activity with the highest share in the entity's added value is recorded in the Business Register (CZSO, 2014c). This over-simplification of the predominant activity indicator makes it more difficult to interpret the analysis results. Nonetheless, the nature of the information contained in the

database of final beneficiaries does not allow their categorisation into individual sectors of the economy by any other method.

Table 5: Project Characteristics According to NACE Classification of Beneficiaries

(amounts in CZK million)

NACE category	Contracted	Prefinanced	No. of projects	Average price	CoV
Agriculture, Forestry, Fishing	1 917	1 304	707	2,7	3,8
Industry, Transport, Construction	231 328	158 876	10 653	21,7	-
Mining and Quarrying	1 763	1 344	57	30,9	2,7
Manufacturing	53 444	29 944	8 055	6,6	2,5
Electricity, Gas, Steam and Air Conditioning Supply	5 976	3 703	295	20,3	2,5
Water Supply; Sewerage, Waste Mgmt. and Remediation Activities	5 795	4 489	539	10,8	3,3
Construction	4 649	3 355	981	4,7	1,4
Transport and Storage	159 700	116 041	726	220,0	3,6
Services	367 893	252 797	38 902	9,5	-
Wholesale and Retail Trade; Repair of Motor Vehicles	6 005	4 101	1 454	4,1	1,4
Accommodation and Food Service Activities	3 099	2 471	366	8,5	1,5
Information and Communication	5 532	3 671	813	6,8	3,3
Financial and Insurance Activities	6 270	5 723	49	128,0	4,7
Real Estate Activities	6 499	3 846	1 349	4,8	4,2
Professional, Scientific and Technical Activities	29 716	15 463	1 438	20,7	8,6
Administrative and Support Service Activities	1 481	1 133	308	4,8	1,6
Public Administration and Defence; Compulsory Social Security	202 936	139 253	19 109	10,6	5,6
Education	65 646	49 672	10 147	6,5	8,7
Human Health and Social Work Activities	17 358	11 644	1 284	13,5	4,5
Arts, Entertainment and Recreation	7 615	4 671	396	19,2	2,8
Other Service Activities	15 473	10 904	2 183	7,1	3,5
Activities of Extraterritorial Organisations and Bodies	263	246	6	43,8	1,9
Not recognised	1 824	1 706	481	3,8	5,3
Total	602 962	414 684	50 743	11,9	-

Note: CoV = Coefficient of Variation (related to contracted projects from EU Funds).

Source: CZSO (2014c), MMR (2014a), Calculations MF CR.

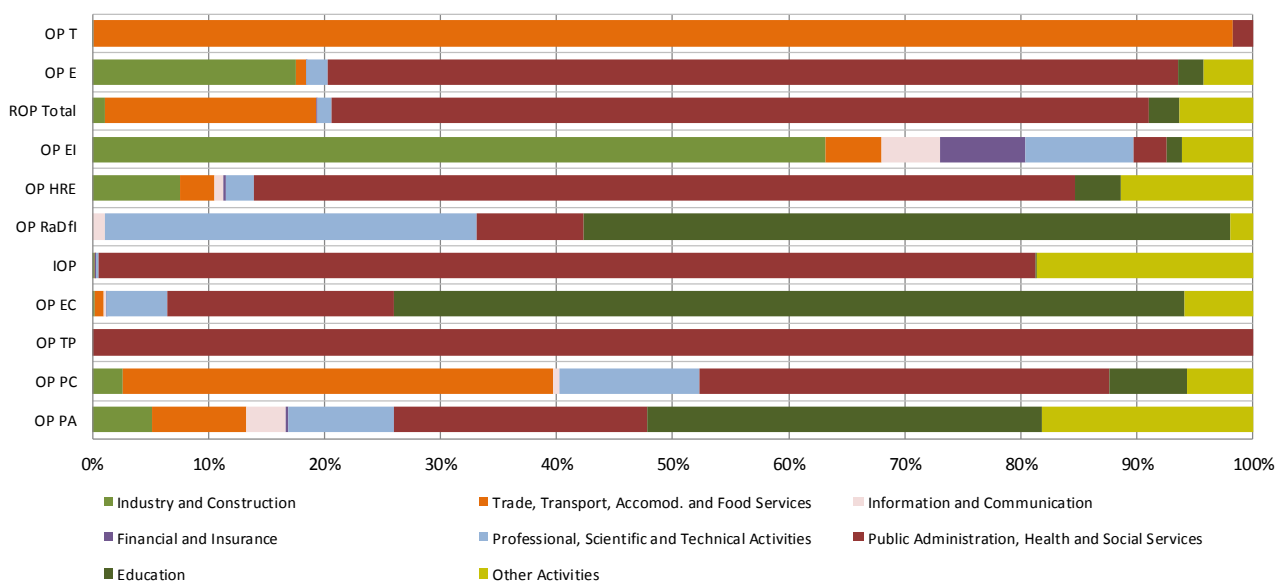
In accordance with the above mentioned fact that, so far, more than 70% of the contracted support has been directed to beneficiaries within the government sector, those activities according to the NACE classification receiving greatest support are in Public Administration, Defence and Compulsory Social Security, with more than a third of the total allocation (see Table 5). Beneficiaries from the government sector are also predominant in two other categories with the highest allocation – in Transportation and Storage, with a share in the total contracted amount of 89%, and in the Education, with a share of almost 92%. Manufacturing enterprises take up 9% of the volume of the contracted amount, and, alongside entities carrying out Professional, Scientific and Technical Activities (about 5% of the contracted amount), they are characterised by the lowest average share of already paid funds with respect to the contracted amounts.

When assessing project characteristics in the category Financial and Insurance Activities, where the second highest average project price (immediately behind Transportation and Storage) was recorded, it should be borne in mind that funds recorded in this category are subsequently provided through projects of the Czech-Moravian Guarantee and Development Bank (see note below Table 3). The average size of projects supported in other activities according to NACE classification is noticeably lower.

Regarding the representation of activities according to NACE classification in individual operational programmes (see Chart 4), the supported projects of entities in Public Administration, Defence and Compulsory Social Security are primarily financed from ROPs, OP Environment and OP Human Resources and Employment (78% of the contracted amount in total). This category is also the sole beneficiary of funds from OP Technical Assistance. Transport and Storage are obviously predominantly financed from OP Transport; however, support for these activities is also significant in ROPs and in OP Prague Competitiveness, where projects focused on transport have the highest share in the total allocation of this programme.

While support from some OPs is targeted towards specific areas of activity according to the NACE classification (beside the aforementioned OPs, this group also includes OP Education for Competitiveness and OP Research and Development for Innovations), other OPs focus their support more broadly; this is especially true of the OP Enterprise and Innovation and the “Prague” OPs.

Chart 4: Contracted Funds of Operational Programmes According to the NACE Classification of Beneficiaries



Source: CZSO (2014c), MMR (2014a), Calculations MF CR.

The division of beneficiaries according to NACE classification, which contains more than 1,100 categories, allows us to evaluate the distribution of support in greater detail than is shown in Table 5 - unfortunately, often without any significant informational added value and without the possibility to form any clearer conclusions. Even at the maximum possible extent of disaggregation, more than 90% of the contracted amount within Public Administration, Defence and Compulsory Social Security is still classified as General Public Administration Activities. Similarly, in the category Transportation and Storage, 87% of contracted funds are classified in Service Activities Incidental to Land Transportation. Of the almost CZK 20 billion contracted for entities engaged in research and development activities, 98% is allocated into Other Research and Experimental Development on Natural Sciences and Engineering.

Nevertheless, in some cases it is beneficial to analyse selected categories of the NACE classification also from other points of view. In Tables 6 and 7, beneficiaries in the categories of Education and Manufacturing, whose share in the total contracted amount is almost 20%, are divided into more detail.

Subsidies into Manufacturing (which are predominantly financed from OP Enterprise and Innovation) are differentiated into four categories according to technological intensity (see the division of manufacturing activities in CZSO, 2014b). Beneficiaries in this sector were also divided according to the basic characteristic of company size, i.e. the number of employees (see Table 6). Only a relatively small proportion (5%) of the total volume of subsidies for entities in manufacturing industries is focused on the most progressive activities; on the contrary, almost 60% of the contracted amount is taken up by beneficiaries with limited innovation potential (low-tech, medium-low-tech).

Table 6: Contracted Funds in Manufacturing According to Technological Intensity and the Number of Employees of Beneficiaries

(in CZK million)

	Less than 49 empl.	50-249 empl.	More than 250 empl.	Total
High-tech	583	1 048	965	2 596
Medium-high-tech	3 545	7 059	9 265	19 869
Medium-low-tech	5 913	9 003	5 339	20 255
Low-tech	4 130	4 632	1 963	10 725
Total	14 171	21 741	17 532	51 795

Note: For the division of industries into categories see CZSO (2014b).

Source: CZSO (2014c), MMR (2014a), Calculations MF CR.

A more detailed examination was also applied to projects implemented in the Education sector, where beneficiaries were categorised by the level of education. Furthermore, subsidies into education are divided according to the EU

fund from which they are financed, which indicates whether these projects are investment or non-investment in nature⁴ (see Table 7). A significant concentration of funds into tertiary level of education, where almost 70% of the contracted amount is directed, is evident, where the projects being implemented are primarily investment ones (mainly from OP Research and Development for Innovation). Given that non-investment projects predominate at other levels of education, the ratio between investment and so-called “soft” projects (i.e. those financed from the European Social Fund) in the Education sector as a whole is virtually equal.

Table 7: Contracted Funds in the Category of Education According to the Level and Source of Financing

(in CZK million)

	CF	ERDF	ESF	Total
Preschool	18	122	182	321
Primary	142	352	5 480	5 974
Secondary	1 030	2 193	5 263	8 485
Tertiary	227	28 513	16 362	45 101
Other	24	739	4 959	5 722
Total	1 441	31 918	32 246	65 605

Source: CZSO (2014c), MMR (2014a), Calculations MF CR.

⁴ Division of expenditure into investment and non-investment based only on the EU fund from which they are financed is only approximate. The specific representation of capital expenditure for individual OPs is shown in Chart 3.

3 Conclusion

Projects supported from EU structural funds and the Cohesion Fund have become an important element in financing selected economic policy priorities in the last 10 years. These projects are focused mainly in the fields of transportation, education, science, research and the environment.

More than 86% of the total allocation for the 2007–2013 programming period is at present backed by a subsidy agreement. This value differs among operational programmes, where some (OP Human Resources and Employment or OP Enterprise and Innovation) have already exceeded their allocations. In contrast, in the case of OP Environment the pace at which contracts have been concluded has been lagging far behind since the very beginning of the programming period.

A more detailed disaggregation of supported projects within individual operational programmes reveals their different purposes, both in terms of the institutional classification as well as the economic activity of the beneficiaries. Of the total contracted amount, approximately 71% flows into the general government sector, largely into central government, through transportation agencies, public research institutions and public universities. In terms of division according to classification by economic activities, most support goes to public administration, defence and social security activities (which are hard however to disaggregate any further), followed by transportation and education. Support for non-financial enterprises, which have received about quarter of financial resources (mainly from OP Enterprise and Innovation), is directed primarily towards manufacturing.

Despite the advanced phase of the programming period, it is still possible to apply for support in the order of tens of billions crowns from the total allocation intended for the Czech Republic. Nevertheless, while the final evaluation of support from the 2007–2013 programming period will only be possible at a later date and must also take into account certification results and the volumes of reimbursed funds from EU, we believe that the findings of this paper concerning the structure of projects and their beneficiaries should not undergo any significant revision.

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