



Finalising of Structures and Measures to Increase the Absorption Capacity
at the National and Regional Levels

Final Report

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List of Abbreviations

CF	Cohesion Fund
CFCU	Central Financing and Contracting Unit
CRD	Centre for Regional Development
CSF	Community Support Framework
DEC	Delegation of the European Commission
ERDF	European Region Development Fund
ESC	Economic and Social Cohesion
ESD	Employment Services Department
ESF	European Social Fund
GS	Grant Scheme
JROP	Joint Regional Operational Programme
MA	Managing Authority
MIT	Ministry of Industry and Trade
MoEYS	Ministry of Education, Youth and Sport
MoF	Ministry of Finance
MoLSA	Ministry of Labour and Social Affairs
MRD	Ministry for Regional Development
NGO	Non-Governmental Organisation
NTF	National Training Fund
OP	Operational Programme
OPHRD	Operational Programme for Human Resources Development
OPIE	Operational Programme Industry and Enterprise
RAP	Regional Action Plan
RC	Regional Council
RDA	Regional Development Agency
RLO	Regional Labour Office
SC	Steering Committee
SF	Structural Fund(s)
SME	Small and Medium sized enterprises
SPD Obj 2 (3)	Single Programming Document Objective 2 (3)
ToR	Terms of Reference
WG	Work Group

Note to Published Version

The text contained in this document reflects exactly the Final Report of the Absorption Capacity Project, as approved by the Steering Committee on 8 October 2004. Only the annexes of that Report which give specific details on individual projects are omitted from this published version.

Colm McClements
Team Leader

10 October 2004

Main Recommendation

This document contains Final Report of the Absorption Capacity Project, formally entitled “Finalising of structures and measures to increase the absorption capacity at the national and regional levels” supported under 2001 Phare National Programme for the Czech Republic

Programme (Phare CZ01.10.03).The Final Report consists of:

- A National Report
- Eight Regional Reports.

Having formally forwarded to the Steering Committee a previous draft of this Report for written consultation, and having taking into account various suggestions received from members of the Steering Committee in this Final Report, the Contractor recommends that the Steering Committee approve this Final Report including its eight Regional Reports Annexes and Key Recommendations set out herein, at its meeting in Prague on 8 October 2004.

The Contractor recommends that the entire Final Report with the exception of technical annexes be made public and widely disseminated.

1 October 2004

Executive Summary

1. This is the Final Report of the Absorption Capacity Project, formally entitled “Finalising of Structures and Measures to Increase the Absorption Capacity at the National and Regional Levels” (ABCap) supported under 2001 Phare National Programme for the Czech Republic Programme (Phare CZ01.10.03). It consists of a National Report and eight Regional Reports, one for each of the NUTS 2 regions in which the ABCap Project has operated. The Project began on 8 September 2003 and is now at an end.

2. The National Report (contained herein) sets out the approach, results, outputs and activities of the ABCap Project and the main recommendations and lessons that derive from it.

3. The ABCap project focuses on 3 Objective 1 Operational Programmes (Industry and Enterprise, Human Resource Development and Regional Development) and Prague SPD 2 and 3. Its objectives were to support development of projects for under Structural Funds and to support development of administrative capacity through design and development of a Training Manual.

4. It is clear that relative to what we promised and agreed with the Steering Committee at the end of the Inception Period and in many respects to what the Terms of Reference required, the ABCap Project has more than met its objectives. Achievements are somewhat greater than ToR requirements with regard to absolute numbers of projects and schemes assisted and finalised, and somewhat less with regard to the evenness of the spread between OPs, especially the OPIE. Moreover the overall proportion to the Czech EU financial allocation represented by our projects is somewhat less than foreseen by the ToR, though hugely in excess of what seemed possible at the end of the Inception Period. In the end the ToR objectives have been largely met but not in the exclusively “bottom up” manner which the ToR’s authors foresaw.

5. Exactly 50% (ie 133) of all projects that ABCap worked on to an advanced stage emerged not from the original selection in regions but from national frameworks that ABCap helped to develop – in financial terms these projects and schemes have a value of more than 300MEUR of which

around 170MEUR is EU co-finance. This more than makes up for the 83 projects that were declared “dead” in the course of our work. In some regions these realities hugely contributed to success since many of the originally selected projects revealed themselves to be ineligible, of extremely poor quality or feasibility or, for various reasons, ministries considered it inappropriate to work on them. In at least two regions and for the OPIE, these “dead” projects made up more than half of all originally selected projects.

6. ABCap proposed a significantly innovative approach and methodology that involved and mobilized the energies and capacities of the project partners themselves. Instead of “doing” everything for them, ABCap sought to assist them to assist themselves. Tools were designed in order to enable project developers to move step by step through the various stages of Structural Funds project development. Some of these are totally novel (e.g. the eligibility tool) while others are adapted or simplified from well-known methodologies (e.g. log frame). The objective in all cases has been to enhance the capacity, confidence, autonomy, efficiency and effectiveness of project developers.

7. Projects and schemes were assisted through 4 stages from a very low base. A full 177 projects or schemes are in finalisation stage and 107 of these have already been submitted.

Tab. 1: Stage of development of live projects/schemes per programme (as of 15 September 2004)

Stage	Number of OPIE projects	Number of OPHRD projects	Number of JROP projects	Number of JROP schemes	Number of SPD2 projects	Number of SPD3 projects	Total
(1-1.99)	2	0	2	0	10	1	15
(2-2.99)	8	8	8	0	4	2	30
(3-3.99)	9	16	16	0	1	2	44
(4 and more)	5	50	50	69	0	3	177
Total	24	74	76	69	15	8	266
No of projects/schemes submitted	1	0	37	69	0	0	107

The financial value of these projects is considerable and should make a significant contribution to absorbing structural funds in the three operational programmes. The return on the investment represented by the project budget is over one hundred fold even if we assume that half of all projects would have been developed to the same extent in the same time.

Tab. 2: Budget and EU contribution per stage in thousands of EUR (as of 15 September)

Stage	OPIE		OPHRD		JROP projects		JROP schemes		SPD 2		SPD 3		Total	
	Total sum (thousands of EUR)	EU funds contribution (thousands of EUR)	Total sum (thousands of EUR)	EU funds contribution (thousands of EUR)	Total sum (thousands of EUR)	EU funds contribution (thousands of EUR)	Total sum (thousands of EUR)	EU funds contribution (thousands of EUR)	Total sum (thousands of EUR)	EU funds contribution (thousands of EUR)	Total sum (thousands of EUR)	EU funds contribution (thousands of EUR)	Total sum (thousands of EUR)	EU funds contribution (thousands of EUR)
Stage 1-1.99	7,914.00	4,575.50	0.00	0.00	3,590.00	2,647.50	0.00	0.00	33,101.00	16,550.50	171.00	85.50	44,776.00	23,859.00
Stage 2-2.99	29,046.63	16,840.13	799.53	551.50	12,615.75	9,476.81	0.00	0.00	13,419.00	6,709.50	910.00	455.00	56,790.91	34,032.94
Stage 3-3.99	19,891.37	13,108.63	10,068.84	7,543.80	31,109.63	21,700.57	0.00	0.00	540.00	270.00	2,133.00	1,066.50	63,742.84	43,689.49
Stage 4 and more	10,917.71	6,689.00	49,177.41	37,112.15	95,955.25	58,627.28	212,365.78	100,494.05	0.00	0.00	554.00	277.00	368,970.15	203,199.48
Total	67,769.71	41,213.25	60,045.79	45,207.45	143,270.63	92,452.16	212,365.78	100,494.05	47,060.00	23,530.00	3,768.00	1,884.00	534,279.90	304,780.91

8. ABCap has prepared many learning materials which in all amount to nearly 200 separate documents. Principal among these are a Training Manual/Resource Pack to support administrative capacity, and a specific programme to support project development (Partners for Projects) which in the course of the ABCap Project, has proved very successful. These and all further learning materials are available on the ABCap web-site and have been distributed on CD Rom.

9. The ABCap project has involved a huge level of activity throughout the country between September 2003 and September 2004. These activities have been divided into 6 different categories to focus better on client needs.

Tab. 3: Synoptic Overview of Activities (all Categories)

Number of Live Projects/Schemes Assisted	770 (of which 421 under Category 6]
Estimated Number of Persons Benefiting from Assisting	1895 (not counting persons in ministries)
Number of Workshops Held	116
Estimated Number of Individual Visits, Coachings and Advisory Sessions	1887
- Physical:	752
- Virtual (at distance)	1135

10. Project Management systems have been unusually tight and the internal monitoring and feedback systems allow us to see that our contribution was in almost all cases highly appreciated, considered relevant, efficient and effective.

11. We make a significant number of recommendations as a result of our work. These relate to the need to continue limited and targeted support, mainly of a top down nature in specific areas where absorption problems are likely because of lack of suitable projects. Before end of 2004, the CSF Managing Authority in cooperation with other relevant Managing Authorities represented on the CSF Steering Committee, should decide the following:

- a) whether there is a case for further assistance to project development in the manner of ABCap
- b) in which areas any such assistance should be focused
- c) what form any such assistance should take and for how long
- d) how Structural Funds technical assistance can be used to assist in this manner.

12. Further we make 65 specific recommendations for improving absorption within the current programming period in the areas of innovation and competitiveness, active labour market policies, education, infrastructure, tourism and regional grants schemes. These recommendations address identified problems and offer practical solutions.

13. We make wide-ranging and important recommendations related to medium-term policy and planning especially in the context of the next programming period – what we call an “agenda for the future”. We consider there needs to be a fundamental re-appraisal in terms of what the Czech Republic wants to achieve and more especially how it can mobilize the means to achieve it. We identify 11 specific challenges which in our view need to be faced: some of these require high-level decisions from government, others are within the responsibility of the various ministries or regions, most require a broadly shared understanding about the future.

Introduction

This is the Final Report of the Absorption Capacity Project, formally entitled “Finalising of structures and measures to increase the absorption capacity at the national and regional levels” supported under 2001 Phare National Programme for the Czech Republic

Programme (Phare CZ01.10.03). It consists of:

- **A National Report**
- **Eight Regional Reports, one for each of the NUTS 2 regions in which the ABCap Project has operated.**

The National Report sets out and reviews all ABCap Project results, activities, lessons and recommendations. It further includes, at the request of the CSF Managing Authority, a prospective chapter that relates the various experiences and lessons of the Project to the emerging scenario for Czech Structural Funds for the period after 2007. It provides a history of the entire project in order to orient the general reader.

The Regional Reports accompanying this Report have been discussed with the Work Groups in each of the NUTS 2 Regions.

The Project Director, Team Leader, National Coordinator and other staff of the ABCap Project wish to record their thanks to the many stakeholders of this project who have supported their work over the past year, in particular Mr Arnošt Marks, CSF Managing Authority, Ms Věra Jourová, JROP Managing Authority, Ms Iva Šolcová, HRDOP Managing Authority, Mr Bretislav Gregr, OPIE Managing Authority. At regional level, we acknowledge the cooperation and support of all hejtman and kraj administrations, the particular practical effort and work of Regional Work Groups and the support of Regional Labour Offices. The National Report has been drafted by Dr Colm McClements with inputs from Project Director Mr Sjaak Boeckhout and National Coordinator Ms Hana Smolková and regional coordinators. Chapter 7 of the National Report has been jointly written by Mr Jan Maarten de Vet and Dr Colm McClements. The regional reports for all Objective 1 regions have been drafted by respective regional coordinators, quality controlled and reviewed by Dr Colm McClements and Ing Hana Smolková. The Regional Report for Prague has been jointly drafted by Ing. Hana Smolková and Dr Colm McClements.

The cut-off date for all statistical data given in this Report is 15 September 2004. While some further progress has taken place since, it has not been practically possible to integrate it into the Final Report. The Contractor will provide any required further details at the Final Meeting of the Steering Committee.

Dr Colm McClements
Team Leader

Ing Hana Smolkova
National Coordinator

1 October 2004

Note: the term “ABCap” repeatedly used in this report refers to the official title of the project as given above.

1. Background and History of ABCap Project

1.1 Background

The ABCap project began on 8 September 2003, 3 days after signature of contract. This followed a tendering process, launched in May 2003 and concluded in July 2003. The ECORYS Consortium was selected as successful contractor of that process.¹

The Terms of Reference gave two specific objectives:

- a) **Absorption Capacity:** to ensure that the Czech Republic has capacity to propose and prepare complex, well-designed projects, which address needs effectively at national and regional level, making use of available funds. **Activities mentioned by ToR:** Direct Support to project development in all NUTS 2 regions (including Prague Objective 2) to cover projects in total equivalent to 40% of SF Programme for the period 2004-2006 (21-24 draft proposals in each NUTS 2 region), of which 10 in each region will be developed to submission stage.
- b) **Administrative Capacity:** to develop skills and competence among persons likely to be involved in tasks under the responsibility of the relevant managing, monitoring and payments authorities at both the central and regional level. **Activities mentioned by ToR:** Review of Materials, subsequent to outcomes of Action Plans, leading to Training Manual Design

The main work was to relate to Absorption Capacity. Interestingly the Terms of Reference assumed that the main task in developing a “draft” was to develop a feasibility study². Grant Schemes were to be included in the 21-24 projects. Working Groups were to be established in each NUTS 2 region as the main contact point and stakeholder forum for the ABCap project at that level.

In the Objective 1 regions the Project involved one full-time consultant and in Prague the equivalent of a half time. Additionally the project deployed around 1000 foreign and Czech mandays in short term assistance.

¹ Consisting of 2 international partners and 3 local partners: ECORYS Nederland B.V., a major economic development consultancy, as the Consortium leader, ITS (N.Ireland) a specialised training and human resource development organisation, Berman Group (CZ), specialised in community based strategic planning processes and project development in the Czech Republic and other Accession Countries, REDECo (CZ) with a track record in the development of grant schemes, RPIC-VIP(CZ) with specific employment and business expertise in the Czech Republic.

² “... the experts will provide assistance to the project developers with special focus on an elaboration of either a complete feasibility study for individual projects ...or operational guidelines for grant schemes under measures of JROP and OPIE. In the case of project proposals under OP HRD the expert's assistance will concentrate on analyses of target groups and their needs, determining objectives and an intention how to achieve them, a calculation of costs.”

1.2 ABCap Implementation

The ABCap project broke down into the following three stages:

Inception and Diagnostic (up to January, in Prague to March 2004) involving:

- Analysis of project development and programme administrative capacity in the regions, the establishment of relationships with of 8 NUTS 2 working groups to accompany the work of the ABCap in regions, a two stage process of assessment of projects for assistance, selection of 194 projects and schemes by Objective 1 NUTS 2 Regional Councils for ABCap assistance and additionally 30 projects in Prague³, the sole Objective 2 and 3 region, diagnostic Interviews held with all project promoters to establish real stage of project preparation

Implementation of Assistance: (end January – end September, in Prague April – September 2004)

- Assistance to over 90 projects in the Objective 1 regions and 10 in Prague up until end April 2004, then inclusion of many new projects derived from development of various national frameworks. Also inclusion of certain other projects where assistance had been held back awaiting programme clarification.

Finalization of ABCap assistance and hand over of results to regional stakeholders (August 2004- October 2004).

- Finalisation of project assistance through “exit” technical assistance to promoters and final reports on their projects.

1.3 ABCap Approach and Methodology

It is important to set out the approach and methodology the ABCap Team used since in many respects it is different than what was assumed by the Terms of Reference and many beneficiary organisations, though it is more than consistent with commitments we made in our response to the call to tender. At any rate all changes relative to the ToR were approved within the Inception Report. It is the view of the ABCap Team that our approach and methodology has allowed us to meet the ToR requirements within limited resources and make a real impact in terms of enhancing absorption and administration capacity.

Evidence gleaned during the Inception Period suggested that the number of good quality projects, especially outside of infrastructure was likely to be limited and that the main reasons for this were the lack of stability and certainty in programme frameworks together with a lack of project development skills. By lack of project development skills we refer primarily to the inability to identify appropriate projects that will impact on economic and social development, correspond to a clear need and demand, will produce results that can be sustained and will be „owned“ by the project promoters or a clear target group and can be smoothly implemented by the project partners. Despite many prior Phare-supported projects in project preparation or training, it was apparent to us that these skills were not widely recognized and even less widely possessed across the Czech Republic.

Because of this, the ABCap team took the early decision to play a strong facilitative role that would concretely assist project developers where they needed help most while putting the responsibility firmly back on the shoulders of the project developers themselves. In other words, we sought to avoid two common extremes: a) doing a series of technical studies which often fail to advance the actual project development and b) giving passive advice with little *operational relevance*. Specifically we recognized where the main weaknesses were and geared our assistance to that. In practice we found that there was no shortage of project ideas but that many were totally inappropriate to structural funds or even other types of public funding: **in other words the main problems were with defining a project concept suitable for public and especially Structural Funds support, rather than with developing the project technically.**

We defined the process of project development in four stages:

1. Project Conceptualisation

- Project preparation planning and identification of the objectives.
- Desired results to be identified

2. Project Design

- Solution (option) to be selected and activities for each output to be defined
- Information needs for project development to be defined and anticipated

3. Project Elaboration

- Project proposal, including detailed budget, to be finalized.

³ The full regional analysis was set out in a Regional Action Plan for each NUTS 2 region which is available on the project web-site and on all CD-ROMs produced by the ABCap Project.

- Information needs for filling out application forms to be finalized.

4. Project Finalization

- Preparation of application form and complementary project documentation to be prepared.

In the Diagnostic Stage, our objective was to diagnose which stage of development a project was really at, and in the implementation stage we sought to move it forward through the four stages by exploring various issues and applying various tools, in order to build up the project elements on the basis of agreement with the project partners. In this manner we encouraged them to take responsibility for the project and to work in a staged, structured and efficient manner.

It was apparent from the start that for many projects the concept depended on some broader national framework, which in most cases had not been conceived still less developed. This was the case with many human resource development projects, with certain innovation projects, with certain tourism projects. It was also the case with all grant schemes, which even though implemented regionally would require a nationally agreed operating framework.

In these areas we also used the same four-staged approach though customized to each situation. However we worked with groups of project or scheme developers together rather than individually since there were clear economies of scale to be obtained and since it was essential to find shared solutions to many problems. This moreover accelerated the learning process and saved scarce ABCap resources.

Insofar as possible we sought at all times to make connections between those who design and administer programmes and those who prepare projects to be submitted to them. The lack of these connections and the inevitably negative consequences was evident in the Inception Period and over the course of the ABCap project we sought to „push“ these two realities together. Thus in many cases representatives of managing authorities and intermediate bodies were involved in project or scheme design workshops. We repeatedly reflected back to managing authorities practical „project-based“ issues that needed to be addressed at their level.

A key tool in our work, especially for assistance offered on an individual basis was the „Visit Report“ which embodied two parts: a) advice by the short-term expert to the long-term regional coordinator and b) illustrated advice given to the promoter. The ABCap team decided to use this in order to limit „wasted consultancy“ – where the transfer of know-how

and agreement on actions is often not followed up. ABCap was deliberately tough with beneficiaries who showed little interest in advancing their projects: in these few cases after due warnings, assistance was reduced or exceptionally totally withdrawn.

In cases of both individual and collective assistance, ABCap consultants „coached“ project developers. By this we mean that we sought to get the project developers to analyze the key issues to be resolved and to explore and test possible solutions. We offered supportive advice and illustration, with greater or lesser assertiveness as required. We followed up with the Visit Report as described or in collective workshops with „homework“. The results of internal monitoring (see below section 5.2) clearly indicate that, even though this mode of working and advising was in general innovative in the Czech context, it has been effective, efficient and well appreciated by beneficiaries.

2. ABCap Results

This chapter sets out all results of the ABCap Project. These reflect the situation as of the 15 September 2004⁴.

Note: Statistics below refer only to projects assisted by ABCap and cannot be interpreted as representing the real absorption capacity of particular OPs.

2.1 Final Project Pool

ABCap Project has sought to support 349 projects or schemes in total. Of this number 215 were actually selected on lists by regional working groups while 133 entirely new projects or schemes emerged in the course of ABCap implementation, mainly from collective work. 69 of these were schemes, most of the rest were regional labour office projects or other projects that emerged from our work to develop “national frameworks” in which regional projects or schemes could be developed.

Since January 2004, 83 projects - all but one of which derive from the lists of 21-24 projects selected by regional working groups - were declared “dead” since it became clear that they could not be funded under any circumstances⁵. In some regions such as North West Bohemia and Central Bohemia the number of dead projects is very high, as it is, in relative terms, for OPIE projects. Clearly this indicates real problems in identifying suitable project ideas from the very start in these regions and areas. Overall 38% of all projects or schemes selected by working groups were to die in the course of assistance: this is a strong indication of the fundamental inefficiency of “gathering projects” in regions – even with a pre-selection process, it is still inefficient: regions cannot generate projects efficiently or effectively in many areas in the absence of clear national frameworks given by programme managers.

The number of dead projects is more than compensated for by the number of new projects created over the course of the ABCap project. Indeed new projects or schemes make a full 50% of all “live” projects. These include 41 OPHRD projects (mainly labour office projects deriving from national models we created) and 65 JROP schemes (deriving from the operational framework we developed) which together make up nearly 80% of this number: this suggests that in many areas the way to develop projects is through “top-down” organised effort rather than, as foreseen by the ToR, through exclusively “bottom-up”, often poorly informed and planned efforts.

⁴ It can be assumed that the final stage of some projects, especially of those under OPHRD 1.1, 2.1, 3.1 and 3.2, several infrastructure measures and OPIE 1.1 would be slightly higher than recorded here by end of ABCap Project (15 October 2004), since further support activity has been implemented for period 15-30 September 2004 in these areas.

⁵ Main reasons for declaring a project dead were: a) a ministry or similar body advised the project would not be eligible, b) clarification of eligibility conditions within the draft documentation showed a project would not be eligible and could not be amended, c) the promoter gave up – on occasion with our advice.

The total number of all projects and schemes that were actively assisted by ABCap to point of submission or to end of ABCap project is 266, roughly 33 per NUTS 2 region, i.e. significantly higher than what is demanded by the ToR. (This does not include the estimated 421 mainly smaller projects supported through Category 6 assistance especially in recent months, which is detailed in section 3.4). Around 43% of all JROP projects/schemes assisted are in fact grant schemes, and nearly half of all OPHRD projects have been assisted through the Partners for Projects Programme.

From the start we dealt with higher numbers of JROP projects than from the other two OPs: the HRDOP was improved however by the fact that we were able to generate new projects from within the national model frameworks developed: it has not been possible to do likewise for the Priority 1 measures in the OPIE in which we were working⁶.

Tab. 4: Projects/schemes assisted by ABCap - according to the programme (as of 15 September 2004)

Projects/schemes	OP				SPD		Total
	OPIE	OPHRD	JROP projects	JROP schemes	SPD2	SPD3	
Live – originally selected	21	33	52	4	15	8	133
- new	3	41	24	65	0	0	133
% of new	7%	41%	25%	84%	0%	0%	38%
Dead	22	25	19	8	3	6	83
% of dead	47,83%	25,25%	20,00%	10,39%	16,67%	42,86%	23,78%
Total	46	99	95	77	18	14	349

2.2 Readiness of Assisted Projects at End of ABCap Project

37 JROP projects and 67 JROP schemes assisted by ABCap have already been submitted to funding bodies. 1 OPIE project⁷ has also been submitted. No other projects or schemes⁸ from other programmes have yet been submitted (partly since relevant OPHRD or Prague SPD 2 and 3 measures are not yet open). More generally 5 OPIE projects, 50 OPHRD projects and an additional 13 JROP projects are in finalisation stage, i.e. are virtually

⁶ Note that on the instruction of the MIT, we did not work on OPIE Priority 2 projects at all. At the request of the OPHRD MA we focused mainly on measures 1.1, 2.1, 3.1, 3.2 and left all work on HRD Grant Schemes to the National Training Fund. Only in the case of JROP were no restrictions at all placed on the scope of our work.

⁷ Project from NE region under OPIE 1.2.

complete and can be submitted very soon or immediately when the relevant measure opens. A further 9, 16 and 16 projects are in various stages of elaboration for OPs IE, HRD, Regional Development respectively. In Prague 3 projects, all for SPD 3 are finalised and a further 3 are in elaboration stage. A further 45 projects relating to all programmes are in Stages 1 or 2 (conceptualisation or design) which means that practically most cannot be submitted before early 2005 and in many cases later in that year.

If we measure this situation as against that of 25 July 2004 (when we last undertook a detailed analysis), we see that many projects are now emerging from the front end of the pipeline, especially for the JROP, but that the back of the pipeline is becoming more narrow, ie in Stages 1 and 2 there now remain relatively few projects. Obviously this raises the question, at least for certain measures, as to whether some future effort needs to be made to identify a new wave of prospective projects.

Since ABCap has developed most projects to either Stage 3 or 4, then there is little in our pipeline to come on stream in 2006: this means that if there is not an alternative source of projects (currently under development and outside ABCap assistance) then absorption problems will arise for 2006 especially.

Tab. 5: Stage of development of live projects/schemes per programme (as of 15 September 2004)

Stage	Number of OPIE projects	Number of OPHRD projects	Number of JROP projects	Number of JROP schemes	Number of SPD2 projects	Number of SPD3 projects	Total
(1-1.99)	2	0	2	0	10	1	15
(2-2.99)	8	8	8	0	4	2	30
(3-3.99)	9	16	16	0	1	2	44
(4 and more)	5	50	50	69	0	3	177
Total	24	74	76	69	15	8	266
No of projects/schemes submitted	1	0	37	69	0	0	107

There are significant regional differences in terms of the numbers of projects/schemes actively assisted and developed to stage of finalisation: NE and CM seem to be most successful in terms of numbers of overall "live" projects (52 and 42 respectively). But in terms of finalised projects/schemes it is NE and SE, which score best (38 and 28 respectively). However SW and MS are nearly as good and in fact appear more focused insofar as a higher

⁸ Note that ABCap, in agreement with MOLSA and NTF, did not work on any OPHRD schemes and that our

proportion of their assisted projects/schemes have actually been brought to completion [for SW 27 out of 36 and for MS 17 out 25]. The average level of project/scheme readiness is similar in all regions except SE.

Tab. 6: Stage of development of live projects/schemes per NUTSII (as of 15 September 2004)

NUTS II	Current stage				Total	Average current stage
	(1-1.99)	(2-2.99)	(3-3.99)	(4 and more)		
Central Bohemia	1	1	2	16	20	4.24
Central Moravia	0	5	12	25	42	4.09
Moravia-Silesia	0	1	7	17	25	4.18
North-East	2	7	5	38	52	4.19
North-West	0	1	2	23	26	4.39
Prague	11	6	3	3	23	2.21
South-East	1	5	8	28	42	3.64
South-West	0	4	5	27	36	4.22
Total	15	30	44	177	266	3.95

It is evident that JROP projects and schemes assisted by ABCap are in a much higher state of readiness than those in other programmes (measured on our scoring system, the score is 4.99 for JROP schemes (indicating that all schemes we worked on are finalised and have been submitted), 4.19 for the 76 JROP projects, 3.72 for the 74 OPHRD projects, 2.71 for the 24 OPIE respectively). In Prague the level of project development is much lower: while good progress has been made for 8 project under SPD 3 with an average of 3.16, progress is slow with SPD 2 projects – a mere 15 projects with an average stage of development at 1.71.

Average stage – per programme (as of 15 September 2004)

Tab. 7: Average stage according to programme (as of 15 September)

Programme	No. of live projects/schemes	Average stage
OPIE	24	2.71
OPHRD	74	3.72
JROP projects	76	4.19
JROP schemes	69	4.99
SPD2	15	1.71

SPD3	8	3.16
Total	266	3.95

The success of JROP projects is all the more remarkable since ABCap has also been able to assist a significantly greater number of JROP projects/schemes than is the case in the other two OPs. Partly the high results for JROP projects/schemes are distorted by the fact that all schemes assisted have been submitted (and of course submission of a scheme does not automatically guarantee absorption). But despite this, the evident readiness of projects under JROP is consistent with the initial observations of ABCap's Inception Period: regionally-based actors are among the more proactive and vigorous project developers, while national-sectoral project developers are less active. Nevertheless in the course of the ABCap project – and largely as a direct result of ABCap intervention – the degree to which Labour Offices have become project/programme developers is remarkable. This is a positive change in organisational culture and activity and as our result of our efforts with labour offices the fortunes of the OPHRD are now much more promising than at the start of the year.

A similar tendency is also reflected at the level of individual measures. Several measures in JROP now have an average level of project/scheme development well in excess of 4, indicating that in these measures a large number of projects and schemes under assistance have already been submitted. Two measures in OPHRD or one in OPIE have an average of 4 or above although the 32 projects under assistance in OPHRD 1.1 have reached an average level of readiness of 3.84 – which in comparison to the base line of 16 projects with average state of readiness of 1.50 in January 2004 is a remarkable achievement. Clearly OPIE projects under Priority 1 progress, by their very nature, slowly although huge efforts have been made in the area of OPIE 1.1 projects. Projects under Priority 1 of this OP take a long time to gestate and require a stable institutional and legal environment in addition to competent and strong partnerships that can undertake major investments. By contrast once certain legal and institutional problems are overcome, HRD project can be developed quite fast: this is in fact what we have seen with project promoted by Regional Labour Offices.

Programme	Number of live projects/schemes	Average
OPIE		
111	9	2.46
112	8	2.66
113	3	3.33
114	3	4.11
121	1	2.33
total OPIE	24	2.71
OPHRD		
211	32	3.84
212	1	3.33
221	22	3.91
222	2	2.50
231	7	3.16
232	1	2.66
233	2	4.17
234	1	4.00
241	5	3.33
242	1	4.00
total OPHRD	74	3.72
JROP		
311	23	4.99
321	13	3.96
322	3	4.00
323	4	4.99
331	13	4.77
332	19	4.56
333	11	4.45
341	27	4.82
342	32	4.38
total JROP	145	4.13
SPD2		
611	5	1.73
612	4	1.33
613	1	1.33
621	1	1.33
623	4	2.25
total SPD2	15	1.71
SPD3		
711	1	3.66
721	3	3.44
722	1	4.00
731	1	2.66
732	2	2.33
total SPD3	8	2.71
TOTAL	266	3.95

Tab. 8: Average Current Stage of Live Projects/Schemes Per Programme and Measure

2.3 Absorption Capacity of Projects Assisted

Of course a key criterion of achievement of the ABCap project is the level of absorption represented by projects assisted and in particular those in finalisation stage or already submitted or soon to be submitted.

Projects assisted under OPIE could absorb around 67 MEUR, projects under OPHRD around 60 MEUR, projects under JROP around 143 MEUR and schemes under JROP around 212 MEUR. The low level of OPHRD absorption relative to the high number of OPHRD projects under assistance is simply indicative of the fact that many ESF projects are not usually large in financial terms.

In all, projects/schemes assisted by ABCap represent a value of 534 MEUR of which 305 MEUR is EU co-finance. This is well in line with the expectations of the ToR – even if these are considered extremely ambitious.

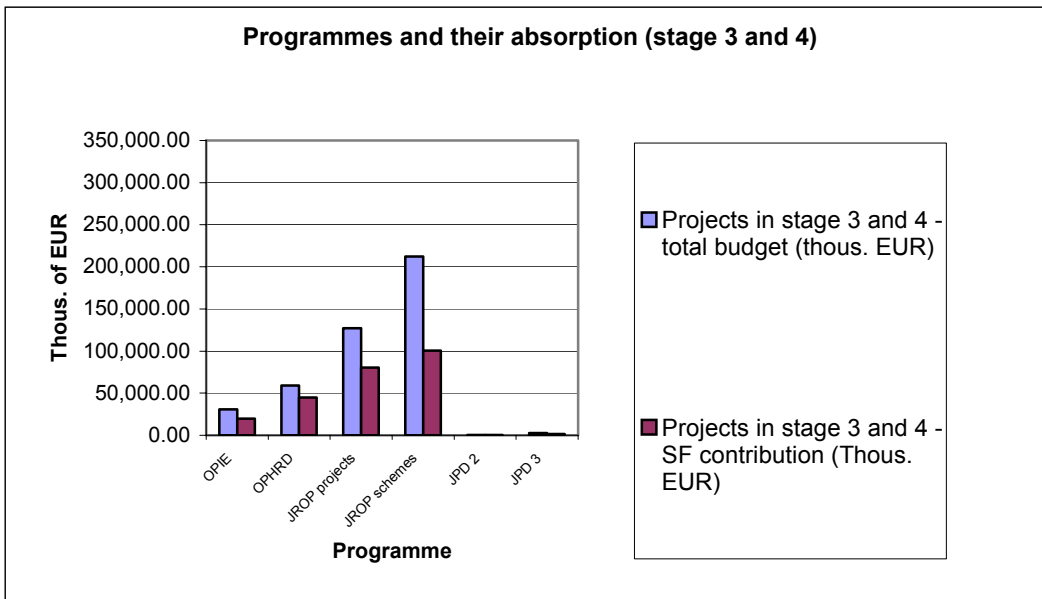
Tab. 9: Budget and EU contribution per stage in thousands of EUR (as of 15 September)

Stage	OPIE		OPHRD		JROP projects		JROP schemes		SPD 2		SPD 3		Total	
	Total sum (thousands of EUR)	EU funds contribution (thousands of EUR)	Total sum (thousands of EUR)	EU funds contribution (thousands of EUR)	Total sum (thousands of EUR)	EU funds contribution (thousands of EUR)	Total sum (thousands of EUR)	EU funds contribution (thousands of EUR)	Total sum (thousands of EUR)	EU funds contribution (thousands of EUR)	Total sum (thousands of EUR)	EU funds contribution (thousands of EUR)	Total sum (thousands of EUR)	EU funds contribution (thousands of EUR)
Stage 1-1.99	7,914.00	4,575.50	0.00	0.00	3,590.00	2,647.50	0.00	0.00	33,101.00	16,550.50	171.00	85.50	44,776.00	23,859.00
Stage 2-2.99	29,046.63	16,840.13	799.53	551.50	12,615.75	9,476.81	0.00	0.00	13,419.00	6,709.50	910.00	455.00	56,790.91	34,032.94
Stage 3-3.99	19,891.37	13,108.63	10,068.84	7,543.80	31,109.63	21,700.57	0.00	0.00	540.00	270.00	2,133.00	1,066.50	63,742.84	43,689.49
Stage 4 and more	10,917.71	6,689.00	49,177.41	37,112.15	95,955.25	58,627.28	212,365.78	100,494.05	0.00	0.00	554.00	277.00	368,970.15	203,199.48
Total	67,769.71	41,213.25	60,045.79	45,207.45	143,270.63	92,452.16	212,365.78	100,494.05	47,060.00	23,530.00	3,768.00	1,884.00	534,279.90	304,780.91

A more illuminating result relates to the level of absorption that can be guaranteed by Stage 3 or 4 projects – since it is these projects which will almost definitely be submitted and where the budgets are highly reliable. In this regard, 432 MEUR (of which 247 MEUR is EU co-finance) could be absorbed by projects or schemes now in the final or elaboration stage (if we deduct schemes from this then the figure is only 220 MEUR of which around 147 is EU co-finance). Since most of these projects have an estimated duration of between 12 to 18 months, then it can be assumed that they will make a major contribution to absorbing 2004 and 2005 programmed allocations. For the JROP it becomes clear that the overall absorption level is now dependent very substantially on the krajs and how they manage their grant schemes.

Among individual programmes there are substantial differences while grant schemes play an important role for absorption in JROP.

Figure 1: Programmes and their absorption (stage 3 and 4)



Tab. 10: Stage 3 – 4 projects/schemes: absorption capacity

Program	Projects in stage 3 and 4 – total budget (thous. Of EUR)	Projects in stage 3 and 4 – SF contribution (thous. Of EUR)
OPIE		
111	13,924.08	8,489.13
112	10,671.00	7,808.00
113	2,870.00	1,004.50
114	3,344.00	2,496.00
121	0.00	0.00
Total OPIE	30,809.08	19,797.63
OPHRD		
211	41,524.58	34,286.99
212	1,600.00	1,200.00
221	11,600.73	9,709.44
222	0.00	0.00
231	2,880.94	2,159.00
232	0.00	0.00
233	532.00	399.00
234	152.00	114.00
241	830.00	556.20
242	278.00	208.00
Total OPHRD	59,246.25	44,655.95
JROP		
311	110,145.53	45,082.33
321	36,810.31	27,448.90
322	1,387.00	1,046.50
323	13,859.00	10,082.00
331	16,096.38	10,284.81
332	39,968.29	31,712.04
333	8,701.00	6,524.50
341	32,139.24	18,206.00
342	80,323.91	37,044.82
Total JROP	339,430.65	180,821.90
SPD2		
611	0.00	0.00
612	0.00	0.00
613	0.00	0.00
621	0.00	0.00
623	540.00	270.00
Total SPD2	540.00	270.00
SPD3		
711	1,972.00	986.00
721	426.00	213.00
722	128.00	64.00
731	0.00	0.00
732	0.00	0.00
Total SPD3	2,687.00	1,343.50
TOTAL	432,712.98	246,888.97

It is also easy to identify to identify how the absorption capacity is evolving for individual NUTS 2 regions.

This can also be cross-referenced with the absorption per programme.

Tab. 11: NUTS II – Allocation (projects/schemes) in Stages 3 and 4

	Projects in stage 3 and 4 – total budget (thous. Of EUR)	Projects in stage 3 and 4 – SF contribution (thous. Of EUR)	GS in stage 3 and 4 – total budget (thous. Of EUR)	GS in stage 3 and 4 – SF contribution (thous. Of EUR)
CB - OPIE	0.00	0.00	0.00	0.00
- OPHRD	5552.00	4211.00	0.00	0.00
- JROP	3753.00	2815.00	17765.00	10151.00
Total CB	9305.00	7026.00	17765.00	10151.00
CM - OPIE	3170.00	1154.50	0.00	0.00
- OPHRD	8870.52	6659.73	0.00	0.00
- JROP	23292.25	6288.79	40978.13	18344.80
Total CM	35332.77	14103.02	40978.13	18344.80
MS - OPIE	18322.58	13743.00	0.00	0.00
- OPHRD	20100.00	15239.32	0.00	0.00
- JROP	20605.00	12938.00	26000.00	10635.00
Total MS	59027.58	41920.32	26000.00	10635.00
NE - OPIE	671.00	308.00	0.00	0.00
- OPHRD	3988.00	2988.00	0.00	0.00
- JROP	35107.00	25383.00	17578.00	10523.00
Total NE	39766.00	28679.00	17578.00	10523.00
NW - OPIE	0.00	0.00	0.00	0.00
- OPHRD	9172.75	6941.00	0.00	0.00
- JROP	21239.38	15595.56	46503.13	20346.88
Total NW	30412.13	22536.56	46503.13	20346.88
PRG - JPD2	540.00	270.00	0.00	0.00
- JPD3	2687.00	1343.50	0.00	0.00
Total PRG	3227.00	1613.50	0.00	0.00
SE - OPIE	7708.00	3889.00	0.00	0.00
- OPHRD	7400.00	5549.00	0.00	0.00
- JROP	19687.00	14787.00	37544.00	17825.00
Total SE	34795.00	24225.00	37544.00	17825.00
SW - OPIE	937.50	703.13	0.00	0.00
- OPHRD	4162.98	3067.90	0.00	0.00
- JROP	3381.25	2520.49	25997.53	12668.38
Total SW	8481.73	6291.52	25997.53	12668.38
TOTAL	220347.20	146394.92	212365.78	100494.05

And it is possible to see the impact of the ABCap project in individual kraj.

Absorption Capacity According to Krajs (NUTS III) - Projects/Schemes in Stages 3 and 4

Kraj	Projects		GS		Total	
	Total Budget	SF Contribution	Total budget	SF Contribution	Total budget	SF contribution
Středočeský	9,305.00	7,026.00	17,765.00	10,151.00	27,070.00	17,177.00
Zlínský	26,978.47	9,735.60	18,812.60	8,409.90	45,791.07	18,145.50
Olomoucký	8,354.30	4,367.42	22,165.53	9,934.90	30,519.83	14,302.32
Moravskoslezský	59,027.58	41,920.32	26,000.00	10,635.00	85,027.58	52,555.32
Královéhradecký	15,120.00	11,422.00	4,927.00	3,527.00	20,047.00	14,949.00
Liberecký	17,604.00	12,173.00	4,791.00	3,085.00	22,395.00	15,258.00
Pardubický	7,042.00	5,084.00	7,860.00	3,911.00	14,902.00	8,995.00
Ústecký	18,316.50	13,478.81	34,515.63	15,103.13	52,832.13	28,581.94
Karlovarský	12,095.63	9,057.75	11,987.50	5,243.75	24,083.13	14,301.50
Praha	3,227.00	1,613.50	0.00	0.00	3,227.00	1,613.50
Vysočina	14,348.00	10,555.00	13,883.00	5,710.00	28,231.00	16,265.00
Jihomoravský	20,447.00	13,670.00	23,661.00	12,115.00	44,108.00	25,785.00
Jihočeský	3,984.83	2,934.26	12,682.40	6,265.60	16,667.23	9,199.86
Plzeňský	4,496.90	3,357.26	13,315.13	6,402.78	17,812.03	9,760.04
Total	220,347.21	146,394.92	212,365.78	100,494.06	432,712.99	246,888.98

It is clear that there is a significant discrepancy between JROP projects and those under OPHRD. OPHRD projects – especially those developed by schools or labour offices - can in many cases be replicated and reproduced in later years and hence one can assume a good prospect of medium-term absorption from these projects. But the same assumption cannot fairly be made with regard to JROP or OPIE projects under Priority 1: moreover with regard to OPIE projects, it is clear that despite huge efforts, ABCap has not succeeded sufficiently in ensuring high absorption here and current indications are that there is no medium to long-term pipeline.

The generally low level of absorption indicated by Prague projects on which we have worked is worrying in two respects: around half the projects selected by the working group are, for various technical, legal and institutional reasons blocked and show little prospect of completion soon. Moreover despite the poor quality of many of these projects we have been given no indication to assure us that there exists a parallel series of more ready projects for SPD 2, even in infrastructure measures where we would expect absorption to be easier.

2.4 Project Development: Qualitative Assessment of Results Achieved

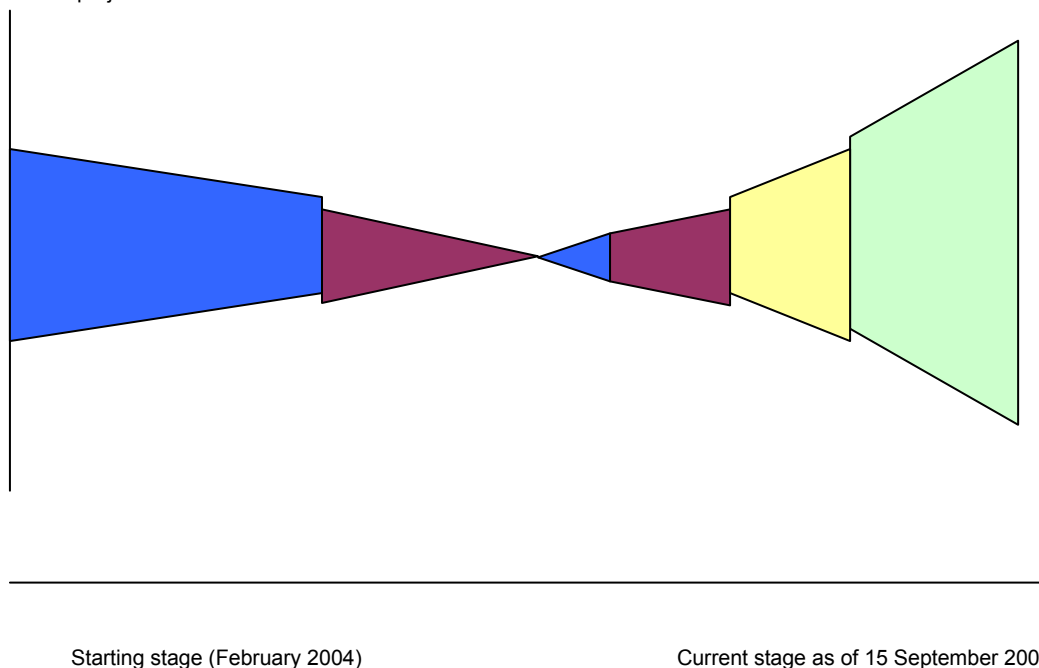
2.4.1 Assessment Relative to Terms of Reference and to What We Promised

The Terms of Reference of the ABCap Project specified that the Project should develop 21-24 projects in each NUTS 2 region to a “draft” stage and that around 10 of these should be developed to the point of submission for funding. Interestingly the Terms of Reference assumed that the main task in developing a “draft” was to develop a feasibility study. Grant Schemes were to be included in the 21-24 projects.

It is clear that relative to what we promised and in many respects to what the Terms of Reference required, the ABCap Project has more than met its objectives. Achievements are somewhat greater than ToR requirements with regard to absolute numbers of projects and schemes, and somewhat less with regard to the evenness of the spread between OPs, especially the OPIE and the overall proportion to the Czech EU financial allocation represented by our projects. In the end the ToR objectives have been largely met but not in the exclusively “bottom up” manner which the ToR’s authors foresaw.

In general the situation has been totally reversed as compared with February 2004. Then most projects were in Stage 1: now most are in Stage 4 and many have been submitted for funding. And overall we are dealing with a much larger pool of projects and schemes.

Volume of projects



- Stage 1 – 1,99
- Stage 2 – 2,99
- Stage 3 – 3,99
- Stage 4 – 4,99

	No. of projects – state as of February 2004	No of projects – stage as of 15 September 2004
(1-1.99)	108	15
(2-2.99)	34	30.0
(3-3.99)	5	44.0
(4 and more)	0.0	177.0
Total	147.0	266.0

In our First Quarterly Report to the Steering Committee of 4 February 2004 we remarked:

“As compared to the current average score for all degree of project development (1.33), we aim, by end October 2004, at an average target score of: 3,01.”

This remark applied only to the 147 “live” projects in the Objective 1 area then under assistance. In fact the situation now is significantly better: an average of 3.95 has been reached for the 266 projects/schemes that have benefited from ABCap assistance in the across the entire country. Clearly many new projects have been added to the pipeline and almost all projects have moved forward significantly, in several situations from non-existence to full submission.

In terms of financial absorption we reported in February 2004 that:

- ***“Projects in all three OPs command an overall budget of 433.656 M€. The EU contribution cannot be calculated with any degree of certainty since many applicants suppose unrealistic levels of EU support. Moreover many budgets are in themselves seriously exaggerated. It would be unwise to assume that the real absorption capacity is much more than 50% of this overall figure.”***

Since then, we have severely revised down the budgets of most projects both by scrutinising the various projects and taking account of the more realistic co-financing rates now set out in Programme Complements. For most we now have a reliable and realistic figure since the budgets have been formally elaborated. Despite the reduction of the figures per project as a result of this “reality check”, it is the development of many new projects, which has kept the absorption figure high.

Equally in the First Quarterly Report we indicated how, beyond the process of exclusively “bottom-up” regional selection foreseen in the ToR, a more substantial project pipeline with greater prospects for absorption could be developed:

- ***“The most effective activities we are likely to undertake involve developing large projects or schemes that integrate top down and bottom up elements so that regionally delivered projects can be consistent with a clearer national framework or context. This is what is now being undertaken for projects under HRDOP 1.1 and for Grant Schemes under JROP. In both these areas the absorption potential is huge and is wholly dependent on developing regional activities within a broader framework. For this reason, the Absorption Capacity proposes to devote significant resources to this work. The results could potentially be well in excess of the targets mentioned above – if national frameworks or models can be rolled out over a large part of the country.”***

It is precisely by following this approach that the ABCap Team has been able to meet the ToR objectives: as already recorded in the Second Quarterly Report, 68 new projects and 65 of the 69 Grant Schemes emerged directly from ABCap’s efforts to establish a national framework in which such regional initiatives could be grounded.

The Terms of Reference specified a further kind of outputs or results though did not elaborate more on it:

- ***“It must be emphasized that throughout the project, capacity building within and know-how transfer to the regions is a key activity. By the end of the project, there should be a tangible project development capacity in each of the regions, with attempts to target extra short-term expert attention where regions demonstrably lack experience (as the Action Plan will map).***
- ***It is expected that the long-term expert (complemented by STE) will provide ongoing advisory services in an area of project documentation elaboration and project implementation under SF to potential Final Beneficiaries. Moreover, the contractor needs to propose forms of sustainable ongoing hands on support and show how the short-term expertise can be utilized in his bid.***
- ***The Contractor will propose a range of support, tools and methods in the bid, which will incorporate specialized and general know-how transfer to final beneficiaries, intermediate bodies and project developers”.***

The Contractor took this latter element very seriously and sought to develop sustainable outputs (supporting development of overall project development skills) that have and will continue to produce ABCap results (even after October 2004), namely, projects developed by regional and national actors. This has led to a series of process and capacity-building results and to a large number of products or tools that may be considered project outputs – that in turn can enable results in terms of projects actually or to be developed.

2.5 Capacity Building

2.5.1 Process and Capacity-Building Results

A number of significant results are of a “process” nature: they are nevertheless significant especially in terms of the Czech Republic’s capacity to drive forward its development using Structural Funds to support public and private investments as other Cohesion Countries have done successfully.

In this respect we identify the following results:

- Developers – both public and non-public, after some resistance - have generally accepted, recognized and applied ABCap project development methodology, which is especially useful in helping them focus project solutions on clear needs and demands (affecting recognizable target groups) and develop their project in a systematic, incremental manner.
- Developers accepted that there must be a strong commitment from themselves as project holders, that they must take ownership of their project and not “relegate” responsibility to external expertise.
- In particular Managing Authorities and certain intermediate bodies— have shown signs of accepting that it has a proactive role in promoting economic and social development directly, and can no longer afford to limit itself to the side-lines task of pushing EU money at an ill-coordinated network of actors with varying motivations and competence. Critically there has been a much better understanding of development realities on the part of those who traditionally have seen themselves as programme administrators. We see a new proactivity in efforts by the MIT and CzechInvest to encourage projects under OPIE 1.1, in the efforts of Labour Offices to develop major projects under HRDOP 1.1 and 2.1, in efforts by the JROP MA to encourage a certain approach to grant scheme development

in several measures and project development under JROP 3.3. From a surprisingly low level of capacity and know-how, key persons in many institutions have actively acquired skills for facilitation of project development under the ABCap project. However we cannot claim much success in encouraging the Employment Service Department in this respect.

- The Training Manual/Resource Pack has been used with Managing Authorities and kraj administrations to initiate a proactive approach towards “on the job learning” according to which officials would develop and maintain a full dossier of relevant materials including the Manual and its updates as a documentary support to basic knowledge and skills essential to good performance. This approach has been explained to these organisations: furthermore specific suggestions and recommendations have been made to Managing Authorities and kraj administrations on how to sustain this “learning culture” through some form of voluntary certification. We remain concerned however that few institutions appear to think in these terms.
- Over 40 mainly NGO organisations have been significantly strengthened in terms of project development skills through the Partners for Projects Programme. A further 10 organisations responsible for administering/implementing Structural Funds measures were also involved: Regional Labour Offices, Secretariats, National Training Fund and Czech Invest regional offices. A large number of municipalities and private actors have also enhanced their project development skills.
- An estimated 1263 persons have been assisted under so-called Category 6 assistance, focused on projects and persons *outside* of the lists of 21-24. In addition to many regional clinics and workshops, this also involved three national/interregional workshops to support development of JROP 3.3 projects and one workshop focused on the NGO sector to support social economy projects. The main result of these activities can be assessed in terms of more (mainly small) projects assisted (that will certainly assist grant scheme absorption), more (estimated at around 15) project facilitators involved and knowledge and skills transferred through workshops and clinics (see 3.4).

2.5.2 Project Outputs: Tools, Models and Methodologies

In terms of the ultimate objective and corresponding result of ensuring absorption through project development, the various tools, models and methodologies used to this end can be considered project outputs. These are sustainable and publicly available products that have

been specifically designed and customised to take account of the conditions and issues prevailing in the Czech Republic relating to project development across a number of areas. Their conception and design is rooted in our analysis of the nature and extent of problems facing project developers. The original training needs analyses and the diagnostic interviews carried out among project promoters indicated clearly a certain lack of practical logic in how many project promoters seek to develop their projects. Specifically basic issues of need and demand that should have been assessed at the start even on a preliminary basis were often ignored, while significant and costly resources were expended developing the technical aspects of proposed solutions that often embodied fundamental weaknesses.

It was also clear to us that this flawed approach was widely used, not only by project developers but by the many organizations involved in assisting project development. Over-reliance on external expertise was a main characteristic of this working method. Rushing ahead and getting “experts” to carry out so-called feasibility studies (which apparently are to act as a kind of “justification” or “appraisal tool” for the project – in our view two irreconcilable functions), while basic conceptual issues and key parameters related to need and demand are not addressed, was a symptom of this folly.

ABCap proposed a significantly different approach and methodology that involved and mobilized the energies and capacities of the project partners themselves. Instead of “doing” everything for them, ABCap sought to assist them to assist themselves. Tools were designed in order to enable project developers to move step by step through the various stages of Structural Funds project development. Some of these are totally novel (e.g. the eligibility tool) while others are adapted or simplified from well-known methodologies (e.g. log frame). The objective in all cases has been to enhance the capacity, confidence, autonomy, efficiency and effectiveness of project developers. The ABCap Team has consciously defined a somewhat different approach to project development than that previously known, used and recommended in the Czech Republic (and other Accession States) including by consultants whose main contribution has often been to identify obvious problems rather than propose common sense and coherent solutions and help project developers to implement them.

ABCap has prepared many learning materials which in all amount to nearly 200 separate documents classified as:

- ◆ Learning Materials – Directly Related to Project Development
- ◆ Partners for Projects – Materials for 5 Modules

- ◆ Regional Labour Office Workshops (HRDOP Measures 1.1, 2.1) – Materials for 5 Modules
- ◆ Education and Vocational Training Workshops (HRDOP Measures 3.1, 3.2) – Materials for 3 Workshops Materials and Methodologies Developed (discuss and then develop table)
- ◆ Grant Scheme Design Workshops – 4 Modules differentiated by theme in addition to several national workshops to establish the overall framework
- ◆ Materials for other project development workshops: JROP 2.3 (Information and Communications Technology), OPIE 1.1 (Innovation Projects), Infrastructure Projects (several measures),
- ◆ Workshops to Support Programme Administration Capacity – CzechInvest and JROP Managing Authority
- ◆ Project Development and Project Facilitation Workshops held in Regions (Category 6) – All Measures
- ◆ Methods for Project Preparation (public version of tools used by ABCap consultants in their work)
- ◆ Model or other Projects – up to 20 examples
- ◆ Regional Action Plan for each NUTS 2 region
- ◆ Training Manual/Resource Pack to support Administrative Capacity
- ◆ This Report and the other 7 Regional Final Reports in addition to the overall National Final Report.

The most substantive materials developed have been the entire Partners for Projects Programme including its certification system and methodology, the Training Manual and the various model or example projects. It is clearly the responsibility of the relevant Managing Authorities to ensure these are used in the future.

All of these are available on the ABCap website at www.strukturalni-fondy.cz. The site itself has had over 11,500 hits. The materials are also available on CD ROMs issued on the occasion of national conference (May/June 2004) and at the end of the project (October 2004).

Additionally the ABCap Team has developed three important documents that impact on absorption in different manners. Some of these have not yet been made public:

- Proposal for 5 Model Projects – March 2004: this document of nearly 100 pages proposes 5 national frameworks that have served as context for all regional labour office projects
- Proposals for optimisation of financial flows for Joint Regional Operational Programme in order to simplify the system and support absorption – September 2004

As a result of work carried out at the urgent request of the JROP MA in September 2004, the following results were achieved relative to the proposed financing and payment system of the JROP:

- consensus has been achieved among all MRD officials and National Fund/Ministry of Finance, kraj representatives to simplify the system according to our recommendations
- proposed changes to the system have been adopted and thanks to the positive support of the Krajs there will be now an attempt to go for a fully simplified model immediately
- the MRD will now analyse the legal implications of the changes
- all parties have been given two weeks to make detailed comments and there will be a follow up meeting in late October 2004 (after ABCap project is complete)
- The Pre-Accession Advisor for JROP was highly supportive of ABCap efforts.

- Addressing Bottlenecks in the Area of Innovation and Technology Transfer – September 2004 (Paper resulting from 2 workshops addressed to MIT and CzechInvest).

2.5.3 Training Manual

The Terms of Reference specifically required the production of a Training Manual to support administrative capacity though made clear that ABCap should not actually deliver training using it. The Training Needs Analyses carried out at national and regional levels in the Inception Period indicated that the most pressing needs related to regional actors and institutions that would be called upon to administer various forms of grant schemes (specifically kraj administrations and secretariats, regional labour offices, CzechInvest regional offices and CRD regional offices).

The authors of the manual quickly came to the view that the lack of any commitment or obligation to deliver training using the manual posed a risk that their work would be in vain.

Accordingly they proposed the manual be designed as a “resource pack” that could in

principle serve many different usages, one of which would be self-learning. This means that the core manual includes 7 modules and their supplements, which could be used separately in function of different interests. In the logic of a “resource pack”, Part Two forms a “tool kit” that can be used to help people develop their particular competences. Part One explains how the various modules relate to specific competences and how these in turn relate to various tasks that persons *may be required to perform in relation to* structural funds implementation tasks. The Modules are:

- Module A. Understanding Strategic and Financial Planning
- Module B. Understanding of Structural Funds, Programme and Grant Scheme Objectives
- Module C. Communication
- Module D. Project Planning
- Module E. Project Appraisal (relevance/feasibility/balanced score card)
- Module F. Project Auditing and Accounting
- Module G. Monitoring and Evaluation

The Manual itself is the result required by the Terms of Reference. Its design reflects the Contractor’s concern to go beyond this narrow result and ensure better prospect of use. In this regard two other results are to be noted:

- The ABCap Team has widely disseminated and promoted the Manual/Resource, through a CD Rom, on our website and also directly in workshops and discussions with Managing Authorities and kraj administrations
- Specifically the ABCap team has used the Manual/Resource Pack as a means of initiating a broader, self-sustaining process of internal learning within key organisations involved in programme or scheme management or implementation.

The above sets out the main quantifiable results of the ABCap project in terms of Absorption Capacity. Below we address the results, required by the Terms of Reference, in the area of Administrative Capacity, namely the Training Manual.

3. ABCap Activities

The ABCap Project divided its activities into 6 Categories in the implementation stage. These are described briefly below. Assistance under Categories 1, 2 and 3 (Partners for Projects) and 4 (Grant Schemes) addressed projects and schemes selected onto the original lists of 21-24 projects. However since we used a “collective” approach from the start in Category 4, we were easily able to include, at marginal additional effort, many grant schemes that had never been originally selected. Over time the same approach, applied too much Category 1 and 2 assistance, similarly allowed for emergence and inclusion of new projects, mainly with respect to Regional Labour Office projects. It is this, more than anything else that explains why and how ABCap has been able to meet its targets: new projects have more than compensated for “dead” projects. In Prague where the SPD 3 did not permit more than one labour office project and where staff was not available to participate in our Grant Schemes workshops, the actual rate of replacement was therefore extremely low. More generally in Prague activities had to be tailored to the available resources (a half-time full expert) – which in practice meant that it could not benefit from Category 6 assistance⁹

Synoptic Overview of Activities (all Categories)

Number of Live Projects/Schemes Assisted	770 (of which 421 under Category 6]
Estimated Number of Persons Benefiting from Assisting	1895 (not counting persons in ministries)
Number of Workshops Held	116
Estimated Number of Individual Visits, Coachings and Advisory Sessions	1887
- Physical:	752
- Virtual (at distance)	1135

3.1 Category 1 and 2 Projects

⁹ We do not include mention of the Training Manual here since it has adequately been dealt with in section 2.4
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Originally most promoters expected that assistance would be provided on an individual basis, by STEs or LTEs. This remained the case for many projects. However in many cases, it proved more efficient and effective to complement this assistance with a collective approach through systematic or ad-hoc workshops. This also offered the possibility to project promoters to learn from each other. Therefore individual assistance was combined with Workshops and coaching for projects in many areas - active labour market, education, infrastructure, innovation, information society (measures HRDOP 1.1, 2.1 3.1, 3.2, JROP 2.1, 2.2, 3.1, 4.2/ SPD2 Priority 1, 2.3, SPD3 1.1, 2.1, 3.1, 3.2; OPIE 1.1, 1.2). This was particularly required in situations where projects in regions should be developed within a tight national model, and therefore projects in regions are very similar (OP HRD 1.1, 2.1). In this case development of regional projects was preceded by intensive work involving all RLOs to develop a national model in co-operation with Employment Services Dept. in MoLSA.

Number of Live Projects Assisted	235
Number of Visits Undertaken to Projects as indicated by Number of Visit Reports Issued	458 (of which 200 were diagnostic visits)
Number of Other Advisory or Coaching Sessions	479 (of which 402 were “virtual” i.e. at distance)
Number of Workshops (RLO, Information Society, Infrastructure, OPIE, Education)	30

3.2 Partners for Projects (Category 3 Assistance)

Many projects selected by the workgroups were relatively small and in some cases the promoters clearly lack relevant experience and skills to develop projects further. Some of these projects involved several partners, many of them destined for ESF support, several originated from the NGO sector. The ABCap team developed a specific programme across the entire country to support these projects – “Partners for Projects”. This programme supported 45 projects in 5 modules and 7 collective coaching sessions (for each participant). In addition, the programme developed project development skills and competencies.

The programme was carefully designed to give real incentive to participants to work hard on their projects. We adapted our usual methodology to the modules but developed a number of particular tools to take account of the nature of particular, especially European Social Fund, projects.

From the start we promised participants the possibility that their skills and efforts be recognised through a formal process of certification. This met with surprising enthusiasm. A condition of certification was 80% attendance rate at modules and coaching. Nearly everyone however met this demanding requirement. The process of certification involved a short multiple-choice knowledge-based test and practical development of a real project for future funding. The projects were assessed in themselves and as evidence of skill acquisition. All successful participants presented their project to a certification jury, which met in five different locations. The presentation was public (it was to a jury of at least 3 and usually 4 assessors (made up of ABCap consultants, including Team Leader; additionally 5 staff from Regional Labour Offices and 2 from kraj administrations participated)¹⁰. Oral presentations took a week to complete (about 8 projects a day). Successful participants will be awarded a certificate to be presented publicly as the last act of the ABCap project at an event in Prague on .11 October 2004. The assessment process has confirmed that successful participants have indeed developed a project for structural funding to a high degree of readiness and that they have mastered key competences in terms of:

- Are able to identify project objectives, identify results and outputs related to recognized target groups based on analysis of need and demand, test concept against measure
- Are able to identify and select appropriate project activities after assessing possible solutions (options) to be selected and activities related to outputs; are able to assess eligibility, define information needs for further project development, investigate financing
- Commission any possible studies, define budget, plan out project activities and relate to cash flow
- Are able to finalize project proposal by filling out application form, providing accompanying documentation, check for legal compliance.

¹⁰ The following written comment was received from the head of one of the RLO/ ESF units who was a member of the assessment board: "I think that the ABCap project was not of benefit only for us, the staff of various implementing structures, but mainly for potential project promoters. I have known many of them personally and spoke to them when they came to our Labour Office for the first time to discuss their plans. At that time, those were rather mere ideas, without concepts, objectives, lacking internal logic. On Friday, I was surprised, what a long way the participants had covered under your assistance. Not only did they know what they wanted to do and how but they were also able to present their projects adequately, discuss and defend them in front of the evaluation committee. I believe that it was mainly the feedback. and sensible guidance based on experience that you had offered them during their work in PfP that helped them understand what they would face if they wanted to implement SF-funded projects.

During PfP, lots of simple and at the same time useful tools (MH) for project preparation were delivered. Czech Labour Offices use them and I am convinced that they will rely on them even in further programming periods."

Partners for Projects has proved to be extremely successful not only in terms of results but also in terms of the efficiency and effectiveness of the activities.

Critically:

- Participants learned much from each other, including a basic methodology for working in effective partnership
- Consultants were continually confronted by feed-back that allowed them to devise and propose tailored solutions and give important feed back to Managing Authorities especially on ESF issues
- Significant materials were developed including an entire certification system that can be used in the future
- A number of participants who will work as programme or scheme administrators were allowed to participate (and be certified in terms of their capacity to „facilitate project development rather than develop projects), and this strongly reinforced dialogue between „project makers“ and „project takers“. Among other things this has enhanced their skills for future project assessment.
- PfP can be replicated at any stage subject to sustainability of a system to safeguard the quality and standard of the approach.

Number of Live Projects Assisted under PfP	45
Number of Participants	107
Number of Participants successfully certified	92 (of whom 10 were officials without projects)
Number of Workshops held (5 Modules)	22
Number of Coaching Units	162

3.3 Support to Grant Schemes (Category 4 Assistance)

Initially 21 proposals relating to various Grant Schemes under the JROP were submitted to ABCap. These proposals presented a wide disparity of approaches. They gave a strong indication that the applicant krajs were constrained in their development of proposals by their

own lack of experience in developing and implementing Grant Schemes and by the fact that many of the scheme parameters had still to be developed by the Managing Authority.

Responding to this situation, the ABCap team commenced a two stage approach working initially with the Managing Authority and Intermediate Bodies (Center of Regional Development and where appropriate CzechInvest) .to assist in developing parameters that would apply nationally and, only when greater clarity had been achieved at the national level, going on to work directly with the krajs on the development of individual Grant Schemes. During the initial phase the team assisted in achieving a degree of clarity in terms of Managing Authority expectations related to the various Measures; clarification and agreement on implementation procedures; and greater clarity in relation to cost eligibility, co-financing requirements, financial flow processes and Scheme application processes. At the beginning of April 2004 a Grant Scheme Forum, involving representatives from the kraj secretariats together with representatives from the managing Authority and the Implementing Agencies was formed and, facilitated by the ABCap Team, continued this clarification process.

Between the end of April 2004 and the middle of June 2004 in a series of 18 Workshops the ABCap team worked with the sectoral specialists from each of the krajs in assisting them to develop relevant Grant Schemes for their Regions. Within the time constraints imposed by the imminent deadline for submissions under the JROP, these Workshops were structured so as to take the participants through the main design criteria for Grant Schemes covering Enterprise, Tourism, Social Inclusion and Transport projects. The Workshops also addressed the key requirements in the implementation of such Schemes from both the control and absorption viewpoints. This manner of working – together, practically and systematically – has proven to be extremely efficient. As a result it was possible for the kraj to develop regional-specific schemes within an overall framework. ABCap team also provided specific methodological support to promoters of national tourism grant scheme under JROP. Throughout the period of the Workshops the Team also continued to work with the Managing Authority on the finalisation of application, assessment and implementation processes and procedures. In the end over 70 schemes have been assisted¹¹.

ABCap effectively operated a virtual help desk, gave individual coaching assistance to kraj as required and verified much of the work

¹¹ A total of 21 Grant Schemes were originally identified and proposed by regions. Of this number 14 were for JROP, 7 for HRDOP. It was agreed these 7 would be assisted by the National Training Fund: this does not mean they will not happen but only they are not being assisted in our Project. Only 4 original schemes are consistent with the now agreed framework for JROP GS, therefore others have been declared “dead”.

Number of Schemes Assisted	69
Number of Participants Assisted in Workshops	126
Number of Workshops Held	22 (including workshop for JROP MA)
Estimated Number of Coaching Sessions (units)	25
Number of "virtual"/remote coaching sessions given	Email Queries (to virtual help desk). Total: 360 [Central (mainly JROP MA) : 70; NW: 50; CB: 40; CM: 40;MS: 40;NE: 40; SE: 40;SW: 40]

3.4 Outreach: Category 6 Assistance

The ABCap project recognized from the start that project development depends on specific conditions and competencies among the development community at regional level. In most regions, the needs assessment of the Inception Period clearly indicated that large number of potential project developers across all regions and sectors required assistance. Successful absorption of EU funds demands that these groups be assisted. In certain regions real problems of basic organizational and regional development capacity are particularly acute and hinder appropriate project identification: this was evident from the start in both Central and North West Bohemia. Therefore, in addition to those projects and promoters selected by the Work Group, it was agreed in the Inception Report that a small level of resource would be focused on assisting broader public in order to stimulate actors upstream in all Objective 1 regions. Since the Terms of Reference made little provision for this kind of assistance and failed to recognize the fundamental problems preventing project development in certain situations, this part of the ABCap work could not be substantial. Nevertheless, especially in the finalization phase of the ABCap Project significant activities have been carried out.

Category 6 assistance involved the following components:

- clinics in each region at least once a month.
- workshops to develop project facilitators (often Work Group members) or support project developers (Spring 2004). Around 10 workshops were held up until June 2004 in order to stimulate work group members and their organizations to be involved in project facilitation and, in certain regions, to stimulate project developers directly.
- workshops to support project developers with projects destined for JROP Grant Schemes (summer-autumn 2004). Around 30 workshops have been held and these were mainly

focused on developing smaller projects that would be submitted under regional GSs (whose development ABCap has assisted under Cat 4 assistance). For these the ABCap Team has sought to transfer know-how to project developers and by involving the relevant kraj and MRD officials, to actors and institutions who should continue project facilitation after ABCap finalization. We estimate that about 421 projects and 1263 project developers have been assisted in this manner.

- JROP 3.3 workshops to develop kraj projects. The ABCap Project sought to take a proactive approach to ensuring that there would be adequate resources to support further project development and development of programme administrative capacity in regions, after the ABCap Project itself is complete. To this end it made concrete suggestions to the MRD and kraj relating to JROP 3.3 “Enhancing the Capacity of Local and Regional Bodies in Planning and Implementation of Programmes” which is effectively an ESF capacity-building measure designed to support greater absorption, more effective regional capacity and programme administration skills. In our view this measure – alone of the all measures in the entire Czech Structural Funds Programme - offers a real possibility to continue the kind of activities that have been carried on by the ABCap Project. Three national workshops have been undertaken for kraj to assist with development of projects under JROP 3.3. These have been followed up, in the regions, by coaching sessions given by long-term regional coordinators.

Additionally a National Conference involving nearly 200 people has been undertaken in May 2004, in addition to two press conferences. The various proceedings from that conference have been widely disseminated on CD Rom and on the project website.

Number of Projects Assisted under Category 6	421
Number of Persons Assisted under Category 6	1263
Estimated Number of Advisory Sessions (including virtual)	403
Number of Workshops held (incl. JROP 3.3)	40

It should be noted that that the above levels of activity go well beyond what we promised in the Inception Report¹² and even further beyond what the ToR required. We took that view that

¹² In the Inception Report we proposed a maximum of 3 workshops per NUTS 2 region for Objective 1, in total 21 workshops.

the changing situation required substantial flexibility on our part and we were not afraid to be flexible.

3.5 Conclusion

It is evident from the above that a lot of work is implied by the term “support to” or “facilitation of project developers”. The indicators show clearly that this is a complex, time and resource-consuming activity. It requires particular competence and to be effective needs to be based on appropriate methodology.

Between Easter 2004 and end of June 2004 the ABCap Project undertook over 70 workshops. At one point nearly 10 translators were working almost full-time. Nearly 30 consultants have been deployed on the project. The Team Leader has been deployed in many consultancy activities in addition to usual management functions.

There is one clear lesson that emerges from this and one clear issue that needs to be faced. If, as ABCap’s internal monitoring system indicates (see below 5.4), ABCap assistance has been badly needed and well appreciated, who or what will sustain this effort after the end of the ABCap project? And with what resources?

4. Project Management

4.1 Management of the Entire ABCap Project

As a complex project, ABCap required significant investment in management and monitoring to ensure success. The main features of the management system of the entire ABCap Project were:

- Detailed Action Plan for implementation of each category of assistance
- Relatively Common, quality-proofed tools, methodologies
- Internal quality control of all forms of assistance, systematic feed-back through a standard questionnaire of all collective events
- Professional, best practice approach to all forms of workshop animation, training, consultancy transfer
- Appraisal of individual performance of long term experts
- Delegation of specific areas of work to 5 sector teams under management of lead expert – with strong back-up from Team Leader
- Weekly internal reporting systems to Central Office or all long term experts
- Regular reporting on database on all projects
- Regular meetings (around once every 6-8 weeks) of the entire long term team
- Regular review of entire ABCap project with long-term and lead experts.

This strong approach to management and monitoring was a deliberate choice of the Project Team since time and resource pressure was so great and the need for results was so pressing. At all times the Project Team has felt it necessary to subject its performance to external and transparent feedback and has been prepared to review its approach if required. The Contractor also gave internal training to local consultants as required and quality control systems were imposed on all main parts of our work.

4.2 Monitoring of Progress

The ABCap Project was active in 14 kraj, 8 NUTS 2 regions and addressed the needs of four ministries and their agencies and countless other actors. Good management required a good monitoring system. The main vehicle for this was the project database and its link to a clear, systematic project development methodology, which ABCap developed. The progress of projects in terms of their development was monitored according to a scoring system (1-4)

dependent on achievement of specific benchmarks/milestones. This system was anchored in the project development methodology designed by ABCap and used in its work (see above 1.3) An on-line database was developed, consistent with the ToR to record progress of each project and to file important documentation. This system was used in a flexible manner by all project consultants and reading access was given to the Beneficiary. This meant that it was possible (once initial problems were overcome) to obtain and verify data relating to project development progress at any time.

Further all collective events were systematically monitored for participant feedback. Steps were taken to ensure that at least 90% of participants filled out the questionnaire, and that their responses were rapidly analysed. This allowed the ABCap Team and management to identify rapidly any problems and to take corrective action immediately. This provided important feedback on the relevance and usefulness of our work and on the perception of our approach and professionalism, which allowed us to gauge, at least roughly, how effectively we were perceived as performing.

All collective events were systematically monitoring for participant feedback relative to a number of key points. These were:

- Professionalism of facilitators
- Quality of Materials
- Quality of Logistics
- Relevance to your Work
- Novelty of Methods Used
- Quality of Coaching (prior to workshop) (where applicable).

All the Visit Reports that had to be filled out on the occasion of every full consultancy visit to a project also made the nature and effectiveness of assistance transparent since they had to be made available on the database for management. All of the above allowed ABCap management to identify and react quickly to any problems, delays, and lack of scheduled progress. The main structure of the Visit Report was as follows:

- ◆ Part A: From Short Term Expert to Regional Coordinator
 - Current State of Progress Relative to Last Contact
 - Actions taken in meeting with Project Applicant
 - Issues Arising
 - Agreed Next Steps
 - Recommendations to Regional Coordinator

- ◆ Part B: From Regional Coordinator to Project Promoter
- ◆ Advice to Project Applicant (usually with illustrated annexes)

In order to assess better the extent to which results obtained could be legitimately attributed to the effort of the ABCap project, i.e. the ABCap added value, a further exercise was undertaken in recent months among the project promoters to measure their view of ABCap added value as described below.

4.3 Assessing the ABCap Added Value

The results as indicated in chapter 2 show that ToR objectives have been met. A sceptic might argue that the ToR objectives would have been met even if ABCap had given no or very little assistance. The normal monitoring system, as described in the preceding section, did not cover individual assistance to projects under Category 1 and 2. And in general it did not ask the participant to actually assess ABCap contribution to the end results. Therefore, towards the end of the Project, the ABCap Team complemented its monitoring system with a simple and limited exercise to assess better our added value in terms of achievement of results.

This was limited to 49 Category 1-2 projects across regions (of this number 16 were Regional Labour Office Projects) and a further 14 Grant Schemes, supported through collective assistance. Since we were not assessing whether results had been obtained, but rather with whose contribution, most projects sampled were in Stage 3 or 4.

A questionnaire was designed in order to assess whether particular tasks in project development had already been undertaken before ABCap assistance began or indeed had not yet been undertaken by time of questionnaire. While it is true that responses often seem to indicate that ABCap made significant contributions even in cases where a task had already been done (probably implying it had to be reviewed and revised by ABCap), these responses are not always consistent and have therefore been eliminated. Therefore when we focus only on those tasks in project development ***undertaken in the course of ABCap assistance*** (which may well correspond to areas where participants needed greatest help), and in this manner we can arrive at more reliable answers. Results of these monitoring and assessment activities are set out in chapter 5.

The management and monitoring systems described above are the basis for the data and observations we give in the following chapter.

4.4 Reporting and Dissemination

From the start ABCap committed itself to the transparent reporting of the results and activities to the regional and national stakeholders. The overall management and monitoring systems have generally facilitated this reporting. In this regard monthly reports have been forwarded to Work Groups and Quarterly Reports to the Steering Committee. All of these have given exact progress on project development in terms of key stages.

All project results as well as materials and methodology relative to various activities were posted on the website www.strukturalni-fondy.cz. In addition a large proportion was also available on a CD ROM distributed in 800 copies across the country in May/June 2004. The entire volume of all project tools, methodologies, learning materials, model projects, action plans and reports was made available to the whole country at the end of the project. In certain regions the ABCap project has closed with a press conference or other similar dissemination event.

A national conference was held on 24 May to which also regional representatives were invited. It was focused on best practice specific to development of projects in individual sectors and on implementation issues. Close of the entire ABCap Project at national level has involved a specific workshop to disseminate and discuss results and lessons with relevant stakeholders in addition to a presentation to the Czech press.

5. Assessing ABCap Success and Drawing Key Lessons on Supporting Project Development

5.1 Assessing Success

Success of course should be primarily assessed in terms of objectives, to be reflected in results agreed with the Steering Committee and rooted in the Terms of Reference.

Beyond this – which has been addressed in Chapter 2 – it is useful to understand whether the ABCap project has met the normal criteria to be applied to such projects. These are relevance (or utility), efficiency, effectiveness, impact and sustainability.

The ABCap Team does not seek to assess itself: this is for others to do. But we set out below the objective evidence drawn from our own internal but transparent monitoring systems that allow us to welcome evaluation with confidence.

5.2 Relevance

Relevance is normally assessed relative to a policy imperative, a practical need, a general social or public good or some combination of these.

Absorption in our view is a key policy objective and effective absorption requires good projects that are consistent with programme objectives and meet clear needs and demand. In this light, we are confident that the ABCap project is at least as relevant now as it was when originally programmed in 2001.

Further we note that in response to the question as to whether the support ABCap offered is “relevant to your work:”, participants considered the PfP (Category 3) programme (which used our basic project development approach and methodology) relevant an average score of 4.42 out of 5. They found coaching sessions useful and helpful with an average score of 4.57 out of 5.

For Grant Scheme Workshops the relevance score was 4.09 out of 5. For Regional Labour Office Workshops the average score on relevance to your work was 4.57 out of 5. For Education Workshops the score was 4.50 out of 5. Anecdotal evidence from ministries also suggests that the project was relevant and in general has maintained, indeed strengthened its relevance throughout. This is also confirmed by the feedback on relevance relating to the workshop held in July 2004 for the JROP Managing Authority: 4.53 and CzechInvest: 4.2, each out of 5.

5.3 Efficiency

Efficiency measures the ratio of outputs to inputs, and in the case of the ABCap Project it would also need to take account of results (since practically results and outputs are not easy to differentiate in project such as ABCap).

In general we calculate that the ABCap Project – with a budget of around 2 MEUR- has assisted in developing projects or schemes for around 500 MEUR. This suggests a very high rate of return on the investment represented by ABCap. Even if we assume that as many as 50% of the projects assisted would have been developed in any case, to a similar quality and degree and in a similar time (an assumption that seems on all available evidence excessively optimistic), then the return would still be over 100 fold or 10,000%. In all of these scenarios of course we assume that projects will submitted will be funded – which is yet to be proved!

More generally as seen in the tables below, questions on all collective events relating to Professionalism of facilitators, Quality of Materials, Quality of Logistics, and Relevance to your Work, Novelty of Methods Used, Overall Rating (from participant), Quality of Coaching (prior to workshop - where applicable) would suggest a high degree of efficient organisation and delivery. The average of all criteria for PfP (Category 3) is 4.43, for Regional Labour Office Workshops, it is 4.68 and for Grant Scheme Workshops it is 4.08.

TOTAL VALIDATION of Partners for Projects MODULES

Criteria	Module					For all the modules
	Module 1	Module 2	Module 3	Module 4	Module 5	
No. of participants completing validation questionnaire	105	101	97	87	79	469
Professionalism of facilitators	4.71	4.72	4.59	4.40	4.70	4.62
Quality of materials	4.61	4.67	4.43	4.52	4.53	4.55
Quality of logistics	4.19	3.94	4.08	4.36	4.42	4.20
Relevance to your Work	4.51	4.45	4.31	4.36	4.45	4.42
Novelty and Methods	4.30	4.29	4.16	4.06	4.12	4.19
Overall Rating	4.44	4.43	4.35	4.37	4.58	4.43
Coaching Meeting	4.90	4.66	4.47	4.38	4.46	4.57
Average Rating	4.52	4.45	4.34	4.35	4.47	4.43

TOTAL VALIDATION of Regional Labour Office MODULES

Criteria	Module				For all the modules
	Module 1	Module 2	Module 3	Module 4	
No. of participants completing validation questionnaire	65	70	63	59	257
Professionalism of facilitators	4.81	4.87	4.75	4.88	4.83
Quality of materials	4.53	4.49	4.46	4.76	4.56
Quality of logistics	4.38	4.64	4.68	4.81	4.63
Relevance to your Work	4.44	4.63	4.62	4.58	4.57
Novelty and Methods	4.40	4.42	4.62	4.48	4.48
Overall Rating	4.62	4.61	4.63	4.79	4.66
Average Rating	4.53	4.61	4.63	4.72	4.62

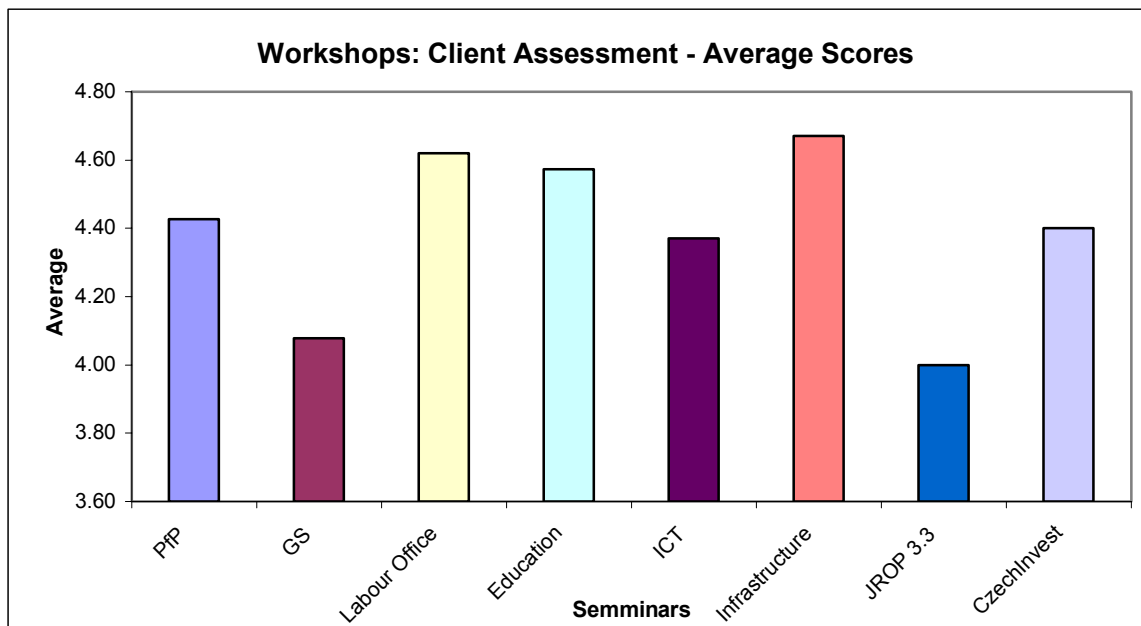
TOTAL VALIDATION of Grant Scheme MODULES

Criteria	Module				For all the modules
	Module 1	Module 2	Module 3	Module 4	
No. of participants completing validation questionnaire	70	85	75	69	299
Professionalism of facilitators	4.25	4.27	4.36	4.25	4.28
Quality of materials	3.97	3.97	4.29	4.19	4.11
Quality of logistics	4.02	4.19	4.13	4.37	4.18
Relevance to your Work	4.09	3.83	4.36	4.09	4.09
Novelty and Methods	3.59	3.67	4.19	3.91	3.84
Overall Rating	3.66	3.85	4.29	4.07	3.97
Average Rating	3.93	3.96	4.27	4.15	4.08

TOTAL VALIDATION OF SPECIALISED WORKSHOPS

Criteria	EDU			ICT	CzechInvest	Infra		SROP 3.3			Total
	Module 1	Module 2	Module 3			Infra 1	Infra 2	Module 1	Module 2	Module 3	
No. of participants completing validation questionnaire	20	10	9	14	10	15	11	23	13	14	139
Professionalism of facilitators	4.9	4.7	4.8	4.60	4.60	4.7	4.91	4,10	4.00	4.14	4.59
Quality of materials	4.45	4.5	4.4	4.40	4.20	4.1	4.64	3,45	3.92	3.57	4.24
Quality of logistics	4.75	4.2	4.4	3.60	4.60	4.8	4.91	3,30	4.85	3.86	4.44
Relevance to your Work	4.7	4.6	4.2	4.50	4.20	4.4	4.45	3,60	4.15	4.50	4.41
Novelty and Methods	4.5	4.5	4.4	3.90	4.40	4.5	4.09	3,50	3.92	3.43	4.18
Overall Rating	4.9	4.6	4.8	4.50	-	4.5	4.73	3,60	3.83	3.86	4.47
Average Rating	4.70	4.52	4.50	4.37	4.40	4.72	4.62	3,59	4.11	3.89	4.43

Comparison of averages can be represented thus.



A key reason for such a high level of efficiency is that ABCap succeeded in mobilising project developers. They did most of the work, not us. ABCap project resources – 30 consultants, 9 of whom were full-time, and over 1000 mandays of short-term assistance, succeeded in “levering” a much greater resource.

5.4 Effectiveness

Effectiveness measures the results against key objectives. In this respect we have suggested that results obtained are in line with, and on occasion better than those required by the ToR (see chapter 2). However the key problem is to show that ABCap significantly contributed to results (as opposed to these being obtained in any case by project promoters or other factors). In order to be able to gauge this we carried out the added value assessment (see above 4.3).

According to perceptions expressed, our support was of assistance across all four defined stages of project development in relatively equal manner¹³. Our own internal experience was somewhat different: we feel that our support was most necessary and crucial in the stage of

¹³ 1 is equal to “No help from ABCap”, 2 is equal to “Small help from ABCap”, 3 is equal to “Important help in particular parts”, 4 is equal to “Important and relevant help” and 5 means “Important help, without help of the ABCap team I would never do it

project conceptualisation.¹⁴ With RLO projects this involved a huge amount of work culminating in our comprehensive proposal for 5 model projects or national frameworks, which would serve as context to all regional labour office projects. This however is not really reflected in the answers.

An analysis of averages suggests that in general ABCap assistance was considered of greatest added value in the following key stages for the 33 projects sample for individual assistance:

- ◆ Design– average 3.24
- ◆ Finalisation – average 3.27
- ◆ Elaboration – average 2.80
- ◆ Conceptualisation – average 2.99.

For the 16 RLO projects sampled the scoring was:

- ◆ Design– average 3.61
- ◆ Finalisation – average 3.25
- ◆ Elaboration – average 3.49
- ◆ Conceptualisation – average 3.13.

For Grant Schemes where we similarly made a huge effort to develop an operational concept for all schemes, this extremely painful and difficult work is scarcely recognized by respondents or remembered. What they do remember and value is the help they are given in the final stage. For the 14 Grant Schemes sampled the score was:

- ◆ Design– average 2.76
- ◆ Finalisation – average 3.06
- ◆ Elaboration – average 2.76
- ◆ Conceptualisation – average 2.83.

A deeper analysis indicates a broad similarity in the different areas where our assistance was seen as significant. For individual project developers, Grant Scheme developers and RLOs the main areas of strong ABCap support tend to be:

- Checking of Eligibility of Costs
- Verification of Concept

¹⁴ There may be several reasons why beneficiary perceptions and our own are different on this point. In general we feel that project or scheme developers fail to appreciate the importance of project conceptualisation even if they have invested

- Definition of Actions and Tasks
- Identification of Results and Outputs
- Filling Out Application Form, developing complementary documentation
- Formulation of ToR for various studies
- Checking of Financing
- Developing of Budget.

Grant Scheme developers tend to appreciate assistance to the administrative/procedural tasks rather than the development tasks: they score highest support to filling out the application form, but interestingly score low assistance with identifying the target group. To be sure there is probably a large degree of subjectivity: respondents score low those tasks which they consider of little importance irrespective of the degree of our assistance¹⁵.

PROJECTS – INDIVIDUAL ASSISTANCE	Score achieved
Support of ABCap with Developing of Feasibility Studies or other technical studies	2.33
Support of ABCap with Definition of Project Partners	2.67
Support of ABCap with Identification of Target Group	2.68
Support of ABCap with Verification of Demand	2.73
Support of ABCap with Setting up a goal	2.77
Support of ABCap with Developing of Budget	2.79
Support of ABCap with Proposal of harmonogram (Gannt scheme)	2.88
Support of ABCap with Maintenance of the contact with funding body	2.91
Support of ABCap with Developing of the financial plan (including cash flow)	2.93
Support of ABCap with Checking of financing resources	3.04
Support of ABCap with Formulation (TOR) of necessary studies	3.09
Support of ABCap with Filling-up of the application form and developing of complementary project documentation - checked against requirements of MA	3.19
Support of ABCap with Verification of full legal compliance	3.36
Support of ABCap with Identification of results and outputs	3.37
Support of ABCap with Definition of Actions and Tasks	3.40
Support of ABCap with Verification of Project Concept	3.52
Support of ABCap with Checking of eligibility of Costs	3.53

a lot in it. To some extent it may be a question of not valuing their own experiences and instead assuming that more technical tasks (developing a budget etc) are more real!

¹⁵ We address this issue further in recommendations under 6.2.2. – Grant Schemes.

Regional Labour Office projects	Score achieved
Support of ABCap with Developing of Feasibility Studies or other technical studies	2.17
Support of ABCap with Definition of Project Partners	2.27
Support of ABCap with Identification of Target Group	2.60
Support of ABCap with Maintenance of the contact with funding body	2.60
Support of ABCap with Verification of full legal compliance	2.90
Support of ABCap with Setting up a goal	3.00
Support of ABCap with Checking of financing resources	3.30
Support of ABCap with Verification of Project Concept	3.40
Support of ABCap with Filling-up of the application form and developing of complementary project documentation - checked against requirements of MA	3.50
Support of ABCap with Definition of Actions and Tasks	3.56
Support of ABCap with Formulation (TOR) of necessary studies	3.64
Support of ABCap with Identification of results and outputs	3.69
Support of ABCap with Proposal of harmonogram (Gannt scheme)	3.69
Support of ABCap with Developing of Budget	3.69
Support of ABCap with Developing of the financial plan (including cash flow)	3.69
Support of ABCap with Verification of Demand	3.75
Support of ABCap with Checking of eligibility of Costs	3.79

GS	Score achieved
Support of ABCap with Proposal of Monitoring and Controlling systems of GS	2.35
Support of ABCap with Preparation of the Managing Structure of the GS	2.42
Support of ABCap with Processing of "prováděcích směrnic" for GS including all the Annexes	2.45
Support of ABCap with Identification of Target Group	2.62
Support of ABCap with Proposal of the Financing	2.75
Support of ABCap with Setting up a goal	2.77
Support of ABCap with Verification of GS Concept and other criteria of Eligibility	2.77
Support of ABCap with Proposal of harmonogram of the GS (Gannt scheme)	2.85
Support of ABCap with Preparation of the Evaluation Table	2.92
Support of ABCap with Identification of results and outputs	2.92
Support of ABCap with Definition of Actions and Tasks of the GS	2.93
Support of ABCap with Processing of the advices for the applicants of the 1st withdrawal incl. All the annexes	3.00
Support of ABCap with Checking of eligibility of Costs	3.08

Support of ABCap with Verification of Demand	3.08
Support of ABCap with Processing of the GS application form	3.62

Overall an indication of our added value and general contribution can be assessed from the answers to 10 questions put to the 63 respondents in total. This strongly indicates that we did not waste people's time and that we generally gave good advice, information and assistance relevant to development of the project.

Results of the "agreement with statements" part of the assessment Projects

	Agreement with the statement	%	Disagreement with the statement	%
ABCap gave important information	28	59.57%	5	10.64%
ABCap gave important advice	28	59.57%	5	10.64%
ABCap gave good ideas on project concept	27	57.45%	6	12.77%
ABCap showed us how to do particular steps of project development	25	53.19%	8	17.02%
ABCap taught us important skills for project development in the future	27	57.45%	6	12.77%
ABCap showed us a new way of understanding project development	24	51.06%	9	19.15%
ABCap gave very little practical help	1	2.13%	32	68.09%
ABCap gave poor advice	0	0.00%	33	70.21%
ABCap complicated our task unnecessarily	1	2.13%	32	68.09%
ABCap wasted my time	0	0.00%	33	70.21%

Results of the "agreement with statements" part of the assessment Regional Labour Office projects

	Agreement with the statement	%	Disagreement with the statement	%
ABCap gave important information	16	34.04%	0	0.00%
ABCap gave important advice	16	34.04%	0	0.00%
ABCap gave good ideas on project concept	16	34.04%	0	0.00%
ABCap showed us how to do particular steps of project development	16	34.04%	0	0.00%
ABCap taught us important skills for project development in the future	15	31.91%	1	2.13%
ABCap showed us a new way of understanding project development	14	29.79%	2	4.26%
ABCap gave very little practical help	0	0.00%	16	34.04%

ABCap gave poor advice	0	0.00%	16	34.04%
ABCap complicated our task unnecessarily	0	0.00%	16	34.04%
ABCap wasted my time	0	0.00%	16	34.04%

Results of the "agreement with statements" part of the assessment Grant Schemes

	Agreement with the statement	%	Disagreement with the statement	%
ABCap gave important information	11	23.40%	3	6.38%
ABCap gave important advice	13	27.66%	1	2.13%
ABCap gave good ideas on project concept	12	25.53%	2	4.26%
ABCap showed us how to do particular steps of project development	9	19.15%	5	10.64%
ABCap taught us important skills for project development in the future	8	17.02%	6	12.77%
ABCap showed us a new way of understanding project development	4	8.51%	10	21.28%
ABCap gave very little practical help	0	0.00%	14	29.79%
ABCap gave poor advice	0	0.00%	14	29.79%
ABCap complicated our task unnecessarily	0	0.00%	14	29.79%
ABCap wasted my time	0	0.00%	14	29.79%

5.5 Impact

Relative to the overall volume of Structural Funds, it appears clear that the projects assisted by ABCap (on the assumption that most are in fact funded) will have a major impact on absorption especially for programming years 2004 and 2005.

Only the Managing Authorities, at a later date, could determine realistically the extent of the impact. It would require a relatively complex methodology, to be applied at a later date, to assess the wider capacity-building impact especially in terms of projects that people prepare and how. We refer however to the capacity-building results in section 2.5.2 as evidence that such an impact is likely to become embedded over time.

5.6 Sustainability

It is almost impossible to make any assessment of sustainability of the ABCap project at this stage. It is however worth suggesting the parameters within which this might be measured at a future date. The key question is not the sustainability of individual projects (or even their results) that have been assisted but rather the survival and mainstreaming of the practices

and approaches the ABCap project has sought to install -in other words the sustainability of the efforts made by ABCap. Certain objective indicators of sustainability could be measured in terms of how the Training Manual/Resource Pack, PfP materials and certification system and all other materials and outputs continue to be used and developed. At this stage we see tentative signs that certain bodies are thinking of "integrating" various elements of our work with a view to continuing them: we must report however that evidence is far from overwhelming in this regard and we do not see any systematic approach towards addressing the absorption issue over the longer-term. We make appropriate recommendations below in section 6.2.1. As we have suggested earlier the issue of sustainability goes well beyond what the Contractor can guarantee and is largely an issue for relevant Managing Authorities. On our side we feel we have done our best to encourage relevant bodies to adopt a proactive approach to this issue. Sustainability might also be gauged from the manner and extent to which specific recommendations set out in this Report are adopted or implemented by those to whom they are addressed.

5.7 Overall Assessment

The ABCap Team is confident that:

- Project promoters have been significantly assisted because a practical and structured form of assistance has been offered to them at a time when they needed and welcomed it. In short, assistance to promoters is most effective when people are working to relatively clear deadlines for project submission. In cases where the programme environment is unclear, it is much harder to gain commitment from promoters to develop their project.
- Promoters have responded well to the challenge put to them: we told them it was their job to work up the project with our help. We supported them, at times very strongly: but we appealed to their ability to do the work themselves. As a result we have helped develop projects and develop project development capacity. We note that few if any previous forms of assistance given in the Czech Republic follow this principle.
- Project developers can carry out certain preparation tasks much more easily than others. In general however to date their efforts have lacked system, adequate attention to economic and financial realities and in particular the issue of demand. While new issues such as eligibility give difficulty, promoters continue to find many fundamental tasks

related to the project concept or design difficult. In fact in general they have “mis-learned” in the past to neglect these stages and issues.

- Project promoters can and do want to learn from each other. Where possible we have encouraged promoters to help each other and learn from each other. Experience shows this is both efficient and cost effective. It also helps exert peer pressure on promoters – who do not want to be left behind or shamed by their colleagues. This broke the classical cycle whereby everyone works as an isolated atom, lost in his or her own sense of confusion and helplessness.
- Project promoters respect being told “no” – if they know we want to help them. Within our team there were many discussions as to whether we were making demands on promoters to reach a level of professionalism that was not usual and would not be required even by programme managers. In the end we took a hard-nosed approach on this. We refused to tell people what they wanted to hear if we thought it inappropriate. In the end, this has been beneficial to all concerned.
- “Project makers” and “project-takers” (programme administrators) learn very well together. We used this approach, at least partially in PfP (Category3), Grant Scheme work (Category 4). It allows for each side to learn of the expectations of the other and to adjust their behaviour and approach accordingly. We recognise this is to some extent counter-cultural: since the Phare programme (and traditional administrative practice) has done so much to discourage this form of exchange. In our view it is necessary and is to be encouraged within any successor to the ABCap project and more generally within the planning for the next Structural Funds programme.

Finally, we consider it likely that in many respects our approach has been significantly different from that used by certain consultants or regional development bodies. We think success speaks for itself: the materials we have developed are public, the methods we have employed are public – we invite people to use them!

6 Drawing Key Lessons and Recommendations

The ABCap project has involved over 30 experts, around one third of whom have worked constantly since September 2003 in regions and with key national stakeholders. All the international experts on the ABCap Project have extensive structural funds and economic development experience from old EU member states or other new member states. The ABCap Team originally proposed a methodology on the basis of which they were invited to implement the project. But over time as circumstances turned out differently (and initially in many respects less favourable than what had been assumed in the Terms of Reference) it was necessary to adapt our approach and continually review how we working relative to the objectives that needed to be reached. Over time we have sought to feed these experiences back to various stakeholders, especially programme administrators or designers who, in our view, need to be closely connected with these realities. At the end of the ABCap Project the Team Leader has asked various experts to review the various factors – policy, practical or other – that are relevant to the challenge of continuing to make success.

The various lessons identified are set out in the following sections. It is appropriate to accompany them with a word of qualification. Firstly we see real progress at almost every level since we began our work. Secondly progress must and can continue.

The sections below address the need to continue to make progress. We seek to be honest, not critical. We present key lessons that emerge from our experience as compared with other experiences we have from elsewhere. They reflect our view of how things should or could progress further in the Czech Republic. In other words, they are not in every case subject to a full review and analysis of all relevant factors in the Czech Republic. Persons more expert than us may feel some of them are not so relevant. They are therefore proposed to encourage further discussion, reflection and decision-making on how best to promote effective absorption in the Czech Republic in the near and more distant future. They are proposed as an agenda for discussion and reflection, which can later inform policy and action. They cover a wide range of issues whose sole unifying logic is that, in some way or another, they derive from the experience of the ABCap project and are relevant to effective absorption of structural funds.

6.1 Lessons: Identifying Success and Pin-Pointing Potential Problems

At national level we are confident that:

- The JROP will receive sufficient projects, probably of sufficient quality in most measures to absorb its financial allocations. However, whether this probability becomes a reality depends largely on whether kraj succeed in implementing their grant schemes efficiently and effectively, and whether the JROP MA succeeds in its recent, and highly commendable efforts, to simplify what has appeared to be an exceedingly complex financing and payments system¹⁶. There will be over-subscription with several measures: 2.1 and 4.1 and 4.2 at least.
- The HRDOP has a high chance of absorbing a large part of its financial allocation. The key to this will be the efficiency with which Measure 1.1 is implemented (since this measure represents around one-third of the entire OP). We see reasons for optimism especially when we review the mammoth progress that has been made in this area. We are confident in the work of the Regional Labour Offices especially those that mobilise resources beyond their ESF units. But we remain concerned at the relative inertia in developing further the national frameworks we have originally proposed.
- We are confident that CzechInvest and MIT are aware of the real problems they face in absorbing financial allocations for OPIE measure 1.1. They have worked in a proactive and innovative manner to overcome the many legal and institutional problems in this area. We remain unconvinced that measures 1.3 or 1.4 can easily absorb their allocations.
- The level of personal and professional competence and capability of individual officials has much improved in recent years and in general is relatively high within all managing authorities with whom we have worked. Staff work very hard, are often overburdened and, we regret to say, seldom thanked for their efforts. They too have the right to learn.
- Managing Authorities and relevant ministries have significantly increased their sense of “ownership” of the “absorption problem”. At one stage the attitude that this was someone else’s problem seemed to prevail. This attitude was most obvious precisely where it was least appropriate: namely with regard to sectoral/national interventions that should implement national policy directly. We see this is no longer the case, at least to the same extent. We hope that Managing Authorities can go further in this direction since much more substantive progress is still required.
- We also see that Managing Authorities are more attentive to the issue of resources required to carry out tasks. There was a time when the sole discussion point was

¹⁶ ABCap Team has recently proposed, at the request of the JROP Managing authority, substantial simplification of

“structure”. Now almost everyone sees the importance of human resources even if there is a serious under-estimation the need to develop them in a continual and professional manner.

- We see that Managing Authorities are increasingly conscious of and attentive to the needs to project promoters, and have some understanding of the negative impact of heavy administrative requirements on promoters.

We are less confident with respect to certain other issues. We see real likelihood of on-going problems of absorption in the following areas:

- HRDOP Priority 3 measures and measure 4.1. We remain unconvinced that the Ministry of Education and Youth Services has made sufficient progress to allow it to implement its ESF ambitions. We are concerned at the quality of projects we have seen under Measure 4.1: most are poorly-focussed attempts by consultants or quasi-consultancies to access EU monies of activities that appear to lack targeted demand. In our experience “adaptability” is a rather “woolly” concept that requires robust public and private co-operation to get good projects. There also could be further difficulties on measure 1.1 and 2.1 of the same programme unless recommendations we make below are acted upon. We continue to be concerned at the semi-detached worldview of the Employment Services Department and their slowness to follow very precise advice we repeatedly given.
- OPIE measure 1.1 needs to be developed further on a programme basis as we suggest below. The paper we have developed must be used to serve as a basis to finding solutions to existing problems. Realistically projects under this measure need to be “pre-brokered” and effectively “pre-selected” in function of a clearly defined strategy. Selecting projects as though in a beauty contest is not appropriate when there is a distinct lack of beauty on the horizon.
- While JROP will probably absorb its financial allocations, we are concerned that many of the projects and schemes could be of relatively poor quality. In particular we worry at the lack of targeting of many kraj-run grant schemes and at the generally low level of engagement kraj administrations have with key development actors. In this sense we distinguish between absorption and **effective** absorption. We would also be concerned that absorption – effective or otherwise – will be difficult unless there is a simplification of the requirements relating to feasibility and CBA studies.

Consistent with the above remarks we make the following recommendation:

General Recommendation

Before end of 2004, the CSF Managing Authority in cooperation with other relevant Managing Authorities represented on the CSF Steering Committee, should decide the following:

- a) whether there is a case for further assistance to project development in the manner of ABCap
- b) in which areas any such assistance should be focused
- c) what form any such assistance should take and for how long
- d) how Structural Funds technical assistance can be used to assist in this manner.

This recommendation is without prejudice to our general observation that over time such assistance needs to be increasingly internalised within appropriate funding bodies or bodies they designate to assist in this manner.

We recommend the following approach:

- a) focus only on the above areas with a view to raising the level of absorption
- b) since most of the above areas are sectoral/national the approach should be mainly top-down, not bottom-up. In other words model frameworks or programmes should be developed and brokered between relevant intermediate bodies and the relevant development community: then the call for proposals should be directly targeted on getting the desired kind of project
- c) with regard to areas of higher absorption, mainly in JROP and mainly in areas with a large kraj involvement, the focus should be on increasing the quality of projects. This should involve a review of selection criteria for projects/actions supported under schemes.

More generally, we see little practical integration:

- Between overall State Budget and public investment programme and the Structural Funds programme: sure enough, the co-financing is theoretically in place and available, but the principles that should dictate details are in many cases less clear and certainly far from smooth. In our view this problem is fundamental and political. While partial solutions

can assist, nothing can replace the need for a comprehensive exercise in integrating EU and domestic public investment sources within a multi-annual perspective that relates all means to all relevant priorities – in short a thorough review of public finances taking account of the EMU convergence criteria and the strategic opportunity afforded by Structural Funds. We make specific recommendations on this below and refer to the example of Ireland set out in Chapter 7.

- Between territorial or sector strategies and programmes and the internal organisational and resource plans of the various implementing organisations
- Between strategies and/or programmes and the broader process of developing and delivering necessary interventions or priority projects (this is especially relevant to certain krajs and to sectoral ministries). To put it bluntly, many of the problems arise from the fact that strategies and programmes have set aspirational targets but not enough has been done to develop projects, schemes or the organisational capability that can deliver these. There is little point in having an ambitious programme for regional or sectoral development if the “machinery” is not in place to make it happen and there is little interest in putting the machinery in place.

We make recommendations to address these general issues in chapter 7 since many of these problems require a long-term, comprehensive solution.

6.2 Specific Lessons and Recommendations¹⁷

6.2.1 Innovation and Competitiveness

The Sector Innovation & Competitiveness has been dealing with OPIE Priority 1 projects.

These projects fall into four different measures, namely:

Measure 1.1 Infrastructure for industrial research, development and innovation

Measure 1.2 Development of business infrastructure

¹⁷ In this section lessons and recommendations originate from the various sector teams that worked on projects and with relevant ministries. These were organised as follows:

- Innovation and Competitiveness – Jan Maarten de Vet, Walter Huskler, Petr Adamek, Marek Gavenda, Villem Cekaje
- Tourism – Sean Browne, Tomas Vlasak, Tomas Ruzicka
- Infrastructure – Walter Hulsker, Misa Jiroudkova, Petr Honskus
- HRD – Peter Gay, Jan Vozab, Zdenek Karasek, Dyma Svec, Petr Lenc
- JROP Grant Schemes – Paul Sheane, Tomas Ruzicka, Jana Kalna, Kveta Uhrova

Measure 1.3 Infrastructure for human resources

Measure 1.4 Development of services (e.g. clusters)

Measure 1.1 Infrastructure for industrial research, development and innovation

Most projects in receipt of our assistance relate to incubators, science parks and technology transfer centres. The number of potential applicants in this field is limited as co-operation with universities is a prerequisite.

Immediate Issues: Action Recommended before March 2005

To Whom Addressed	Issue	Recommendation or Lesson	To be Actioned by:
MIT	The number of potential projects is objectively limited since university links are a pre-requisite and in practice there are a limited number of interested partnerships involving universities.	(R1) Loosen the eligibility requirements in the Programme Complement, especially the requirement to involve universities for incubator projects. This will develop overtime but should not be an obligatory requirement at this stage.	Immediately
MIT, Academy of Sciences	There exist a range of mainly legal and institutional bottlenecks that prevent the development of projects in this area.	(R2) Identify solutions to the bottlenecks that prevent applicants from progress – by drawing lessons and implementing the recommendations from the paper produced by ABCap Team on this measure	Immediately
MIT, CzechInvest	There is evidently inadequate expertise and standard methods for identifying, supporting and assessing projects.	(R3) Bundle and exchange knowledge and experience in dealing with project applications, implement existing proposals for staff development, especially in CzechInvest.	Immediately
MIT – to be channelled through MIT Academy of Sciences	There is a need to develop and share good practice in order to encourage better projects	I(R4) Introduce pilot projects and disseminate experiences more actively, build out the emerging technology transfer network Team up more forcefully with international tech-transfer networks, such as ASTP and Proton	From January 2005

Medium-Longer-term Issues: Action Recommended in 2005, 2006

To Whom Addressed	Issue	Recommendation or Lesson	To be Actioned by:
Ministry of Education, MIT	There exists no clearly approved and shared National Innovation Policy or Programme that can act as a framework for encouraging projects in this area.	(R5) Assign clear responsibilities to develop a Czech Innovation Policy – include experiences with Regional Innovation Strategies. Then define a full programme as defined below (Chapter 7, Challenge 3)	Policy complete by mid- 2005 Programme design complete by Spring 2006 in advance of next programming period
Ministry of Education, MIT	Continue to address bottlenecks in technology transfer area	(R6) Tighten and enforce Intellectual Property Rights Develop incentives for technology transfer	2005+
Applicants, kraj	There is some danger that incubators may be unsustainable	(R7) Promoters and relevant partnerships must ensure in their plans a real perspective for growth, must aim to obtain a critical size after subsidies of running costs come to end, and should not allow the incubator to become a form of subsidised workspace	To be evaluated in 2006
MIT, banks	Financial conditions for start-up companies are often unfavourable. Innovative start-up companies require suitable finance, including possibility to draw down from venture capital schemes	(R8) MIT and government need to engage banks in this activity. Banks in the Czech Republic need to be less risk averse.	2005
MIT, Ministry of Finance	Conditions for corporate R&D are unfavourable especially as compared with other countries	(R9) Adjust corporate tax rules and exempt R&D expenditures	2005
MIT, CzechInvest universities	As elsewhere the gap between business and academic world is too wide	(R10) Consider the establishment of applied research centres/centres of excellence for targeted sectors (e.g. mechatronics)	2005
European Commission	Innovation projects do not develop quickly. If this culture is to take root it needs time. Good innovation projects may take several years to develop. If regions with little experience in this area are to make a serious attempt to embrace these activities (as recommended by Lisbon Agenda), then they risk being deterred by N+2 rule.	(R11) In the context of the next Structural Funds programming the European Commission should give consideration to the possibility of relaxation of N+2 rule in this area.	2004+

Measure 1.2 Development of Business Infrastructure

Under this measure we have worked with a relatively large number (10) of business parks and industry sites. As agreed with MIT, ABCap has not actively pursued or encouraged applicants in this area, but has rather channelled existing initiatives and focused on qualitatively good projects - particularly brownfield projects - for which a demand and market failure seemed to exist. A fair number of projects came to a standstill however, due to legal (ownership) and environmental reasons.

Immediate Issues: Action Recommended before March 2005

To Whom Addressed	Issue	Recommendation or Lesson	To be Actioned by:
MIT, CzechInvest, Municipalities, kraj	Potential oversupply of business sites in the short term	(R12) Be cautious in developing general business sites, especially outside main corridors	Immediately
CzechInvest	In certain cases we notice a lack of demand orientation with projects in this area	(R13) Emphasise market developments and demand in project appraisal	Immediately

Medium-Longer-term Issues: Action Recommended in 2005, 2006

To Whom Addressed	Issue	Recommendation or Lesson	To be Actioned by:
MIT, CzechInvest (Czech consultants)	Feasibility studies are often of poor quality, they are developed as "letters of recommendation" even though their purpose is apparently to support appraisal and assessment, they lack independence and expertise. Appraisal of feasibility studies is difficult due to limited capacity and experience in this area.	(R14) Develop a framework for objective assessments - in which priority is given to economic appraisal. All such studies should be ordered directly by CzechInvest, not by the promoter. There should be capacity building in this area and definition of clear requirements, standards of professionalism and independence.	Spring 2005
MIT, Ministry of Regional Development, CzechInvest	Apart from the brownfield area, there appears to exist no satisfactory or coherent national business site strategy that would govern projects in this area.	(R15) Develop policy and programme framework for supporting Greenfield business sites taking into account industrial needs and inward investment trends. Develop an approach to target assistance where there is a strategic requirement. Develop incentives for enforcing co-operating between municipalities.	Mid 2005

Measure 1.3 Infrastructure for human resources

Despite the strong need to develop human resources, only a small number of projects (2) were chosen for our assistance.

We recommend MIT and CzechInvest to undertake a demand analysis for this measure and relate it to specific current or future skills shortages. We urge caution with the measure to ensure that consultancy-driven projects that give unfair advantage to certain economic actors are not supported.

Measure 1.4 Development of services (e.g. clusters)

Almost no projects have been actively supported in this area, despite certain expectations in the cluster domain.

Immediate Issues: Action Recommended before March 2005

To Whom Addressed	Issue	Recommendation or Lesson	To be Actioned by:
MIT, CzechInvest (already engaging Cluster Navigators on this issue)	The measure stipulates strict requirements for grouping of at least 15 companies, preventing bottom-up projects.	(R16) Reduce the number of companies required – foreign programmes often allow 2 to 3 companies	Immediately
MIT, CzechInvest	There is too little top down direction.	(R17) Identify sectors/clusters that are of key national importance	Immediately
MIT, CzechInvest	There is a lot of confusion on clustering and what it is and limited self-awareness. Kraj often do not know whether regional specialisation allows for clustering	(R18) Involve relevant Kraj in above exercise (preceding recommendation)	Immediately

Medium-Longer-term Issues: Action Recommended in 2005, 2006

To Whom Addressed	Issue	Recommendation or Lesson	To be Actioned by:
CzechInvest Cluster Navigator/ CzechInvest	There exist limited trust and co-operation mechanisms in the Czech Republic to support effective clustering. Clustering requires a long-term strategic view and gradual development through specific cluster development techniques.	(R19) Explore the experience of Western Europe and North America in their attempts to create favorable conditions for effective clustering	Spring 2005
CzechInvest	Business intermediary organisations (e.g. branch organisations and Chambers of Commerce) – key to developing	(R20) These organisations need to professionalise themselves and define clearly their added value. In areas	Spring 2005

	trust and favouring the conditions for clustering – are weakly developed intermediate organisations	where they are strong or show real promise, they should be supported on a project basis.	
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6.2.2 Human Resource Development

This area breaks down into two main sub-areas and lessons and recommendations are accordingly presented separately: active labour market policies (Measures 1.1 and 2.1) and measures and education and vocational training measures (Priority 3)

6.2.2.1 Active Labour Market Measures¹⁸

Immediate Issues: Action Recommended before March 2005

To Whom Addressed	Issue	Recommendation or Lesson	To be Actioned by:
ESA/MOLSA, Labour Offices	<p>All RLOs have made huge efforts to design and deliver large “tender” projects. There are however significant differences among RLOs in respect of:</p> <ul style="list-style-type: none"> • Capability (number, quality of staff of ESF departments) • Prior relevant experience in implementing ALM projects • Organisational attitude towards ESF (mainstream or marginal activity?) and its implementation (reflected in nature/degree of intra-office co-operation). 	<p>(R21) ESA/MOLSA in consultation with RLOs should put in place:</p> <ul style="list-style-type: none"> • A system of close performance monitoring to identify and analyse the differences among RLOs, to identify and mainstream best practice in implementation • An on-going facility for technical assistance to RLOs to help them improve their performance • All RLOs should be encouraged to develop a full series of model projects during the implementation of the OP HRD (even though none of them has selected all of them for the first round). • Most target groups exist in each region. These groups should be quantified and then prioritised. • A rolling programme of model project development 	Immediately

¹⁸ The issues and recommendations set out below are in addition to many other recommendations made to MOLSA over the ABCap Project duration. Our assumption is that those recommendations and issues will be addressed: consequently they are generally not repeated here.

		<p>should be set up.</p> <ul style="list-style-type: none"> The constraining factors are capacity within the RLO and the provider community. ESD should set up a provider accreditation system to ensure that providers meet defined standards and that RLOs have access to a quality assured provision. 	
ESA/MOLSA, Labour Offices	<p>Even though they will be implemented regionally, ALM “model” projects articulate a “national” policy. There exists an attendant danger that, as a result, national (i.e. OPHRD) objectives will not be met in an equal manner across all regions, and that different standards and procedures could be adopted towards users, suppliers and employers. More generally the “model” project approach is new in the Czech Republic and has implications for how centre (ESA/MOLSA) and RLOs work together in function of national policy objectives. Significant gaps in centre-regional communication still exist. Model projects are complex and large: many potential training providers, users (e.g. NGOs) and other stakeholders may not be able to participate in or implement such projects. Many procedures, especially financial, still need to be harmonised. We are still seriously concerned that adequately unified administrative procedures are lacking for RLO tendered projects.</p> <p>All these factors may lead hinder achievement of national results and outputs, and prevent efficient implementation.</p>	<p>(R22) ESD / MOLSA should create a technical support system at central level for RLOs. Standardised systems for Active Labour Market projects to be set up. The communication between RLOs should be standardised to ensure learning from experience is shared across RLOs</p> <p>Further, ESD/MOLSA should set up a provider quality assurance scheme. Standards to be developed based on best practice and to be disseminated between existing and potential providers.</p> <p>A select list of providers for specific actions should be drawn up for RLO planning.</p>	<p>By January 2005</p> <p>By June 2005</p>
ESA/Labour Offices	<p>There currently appear to be few links or planned synergies between exclusively Czech-financed Active Labour Market Policy projects and ESF co-financed interventions in the same field. Preliminary evidence indicates a real danger of competition between these with respect to:</p> <ul style="list-style-type: none"> same or similar target groups 	<p>(R23) Within the current programming period and on an on-going basis, we recommend ESD to:</p> <ul style="list-style-type: none"> develop/encourage exchange of information and mutual co-operation between the ESF and other departments of RLOs 	Spring 2005

	<p>(unemployed and employers as well)</p> <ul style="list-style-type: none"> • same suppliers and providers • even within the RLOs between different departments (though only in a few cases) • between RLOs and District Labour Offices (DLOs) – whereby DLOs implement exclusively Czech financed ALMP projects at district level only, while, in parallel, RLOs also implement ESF projects in the area (and for target groups!) of DLOs. 	<ul style="list-style-type: none"> • unify as much as possible the external institutional/”bureaucratic” behaviour of RLOs towards its clients, suppliers and employers even if there are two programmes running at the same time • ensure that Labour Office departments other than ESF departments participate in a pro-active manner in the ESF projects implementation since experience shows this has a major impact on speed and efficiency of design and (we suspect) implementation. 	
ESA/MOLSA, Labour Offices	Model projects may require certain adjustments after the first year of implementation at regional level. Best practices and lessons learned during the first round of tenders in different regions, as well as implementation in varying conditions will provide a good basis for such identifying and formulating appropriate changes in models.	(R24) ESD/MOLSA should establish an internal evaluation group made up of both ESA officials and RLO staff to correlate experiences, commission required research and identify appropriate changes. This should dovetail with broader initiatives at evaluation of the HRDOP.	Established by January 2005

Medium-Longer-term Issues: Action Recommended in 2005, 2006

To Whom Addressed	Issue	Recommendation or Lesson	To be Actioned by:
ESA/MOLSA, Labour Offices	In our view the parallel co-existence of both exclusively Czech and EU co-financed Active Labour Market measures is probably unsustainable and, unless clearly proved to the contrary, almost certainly inefficient and wasteful.	(R25) We strongly recommend that the operational interface between these various programmes and the interplay between each at implementation stage be evaluated with a view to testing efficiency, effectiveness. If, as we suspect, the parallel co-existence of respective programmes proves to be unsustainable, then a process of harmonisation and integration at policy, legal, institutional programme, procedural and financial levels should be undertaken, at latest by end 2005 in order to offer a stable and coherent basis for future Structural Funds	End 2005

		programming. Any such integration should take account of the future directions of the draft ESF Regulation for 2007+.	
ESA/Labour Offices	Related to the above... existing parallel structures of ESF programmes and Czech Active Labour Market Policy (ALMP) may result in either duplicated or unclear division of work and responsibilities. In order to improve effectiveness and efficiency when implementing the current programme, and particularly when preparing for the new programming period, it may be necessary or desirable to make wider changes in relationships between the Employment Service Department (ESD) and Labour Offices, or even within the ESD itself.	(R26) We recommend that there should be close integration between the ESF unit of the ESD and the unit working on Active Labour Market Measures. It will be important that these units work closely and in harmony, setting the context for similar integration at RLO level. The aim should be for a seamless join between these units at ESD and RLO level. Individuals at RLO or District Labour Office level should be aware that this integration is required and that deviations will need to be rigorously justified.	January 2006
MOLSA/ESD	Close integration between RLOs and the ESD is vital. Its emphasis needs to be on continuous learning and improvement. This can be achieved through regular reviews and cross fertilisation between regions.	(R27) We recommend that the ESD could build ongoing informal links with similar organisations in other Member States, for the purpose of ongoing learning.	In place by Mid 2005

<p>MOLSA/ES A/RLOs</p>	<p>The use of ESF, the disciplines of the European Employment Guidelines and the directions of the Structural Funds Regulations proposed for 2007+ will require that Czech Active Labour Market policies supported by EU Structural Funds will be geared to achieving clear results in terms of employability, employment, cohesion and convergence. In this situation there will be pressure on MOLSA to tighten the links between policy and its implementation, between existing clear objectives of national active labour market policies and a rather loose and decentralised approach to implementation at regional level. Model projects development with support of ABCap in the current programming period provide a broad national operational framework to support specific regional interventions. They could be refined, improved, expanded and developed for new areas so that the national active labour market policy is endowed with more consistent, focused, standards-based and results-oriented programme instruments, easily compatible with ESF and EU policy frameworks. This approach will better address national needs and common national issues, it will better link the employment policy with other national policies and particularly programmes, enabling better synergies between them. Stronger national programmes will allow better reflection of broader economic context and more general social issues while allowing regional pro-active implementation and reaction to regionally specific needs/problems. We recommend that this direction be consciously embraced, not resisted and make corresponding concrete recommendations.</p>	<p>(R28) We therefore recommend that :</p> <ul style="list-style-type: none"> • Model projects be further developed and specified (or verified) and then be standardised nationally as an operational framework for the new national programmes which will implement national HRD policies, co-financed by EU Structural Funds. • We recommend that current models (after due evaluation) be mainstreamed as centrally-conceived programmes as part of preparations for the new SF programming period. We recommend that these new nationally standardised models continue to be a combination of central and regional approaches. New, more centralised national models and relevant programmes may be a main tool to assist different target groups or to address different issues/problems to be solved. • If the model approach is extended to other HRD measures during the next preparation for the next programming period, the models may become a core around which the new programming documents can be developed.). <p>We recommend these national programmes involve:</p> <ul style="list-style-type: none"> • Rather detailed features (e.g. obligatory components, standardised procedures, quality standards, administrative methods, obligatory target groups, results/outcomes) • Certain optional features decided upon by each 	<p>ESD / MOLSA January 2006</p>
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		<p>region and reflecting specific regional needs.</p> <p>We recommend that the regional implementation of projects will be retained while the role of central level in programme design would be increased.</p> <p>In practice this means that overall programme design should be national in terms of target groups, specifications, standards and outputs, with regions responsible for the detail. This is a 'tight – loose' approach, with specification tight but with regions free to decide the most appropriate ways of implementation, always subject to ongoing comparative evaluation between regions as to impact and cost.</p>	
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6.2.2.2 Education Projects

Immediate Issues: Action Recommended before March 2005

To Whom Addressed	Issue	Recommendation or Lesson	To be Actioned by:
MOEYS	<p>Interface between 'national', 'systemic' projects and regional projects.</p> <p>Regional actors are not clear on the interface between these projects. They do not understand how 'national' and 'systemic' projects are developed and resources allocated and they do not feel or know if they should be</p>	(R29) MOEYS should ensure strong and clear communication about the role of 'national, systemic' projects. Specifically the rationale for them, setting them in the broader policy context, the main actors and implications for regions should be communicated.	Immediately

	<p>included in this process.</p> <p>In consequence they may seek to develop projects that would overlap with 'national' 'systemic' projects and find it difficult to understand why they are not successful.</p> <p>Even when a 'national, systemic' project is announced, regional actors are likely to find difficulty in understanding what, if any role they have in it.</p>	<p>The process by which these projects are developed and selected needs to be clear so that regional actors know what they can and cannot apply for.</p> <p>A communication strategy with regional actors is recommended that gives clear information about the overall education context within which structural funds are operating. This should include how regional actors can apply; what project ideas are within scope and what ones are not. A clear map of project opportunities is needed to help actors navigate the system and find the opportunities.</p> <p>Existing national and trans-national projects running in the region should be part of this map, enabling actors to learn from the experience of others.</p> <p>Where there can be roles for regional actors in 'national, systemic' projects these should be communicated.</p> <p>Specifically the responsibility for communication needs to be located clearly within the Ministry along with the role of the pedagogic centres.</p>	
<p>MOEYS and Regional Actors</p>	<p>The role of schools in project development is problematic. In general, they lack the capacity to develop projects, partly because teachers are heavily committed to teaching and do not have the time, partly because they have little experience and may not know where to start. We also have severe reservations if teachers, working as employees, are also to be recruited as consultants to reform curriculum and paid directly out of ESF resources.</p> <p>Clearly the development of capacity is vital if schools and other regional actors are to successfully develop projects.</p>	<p>(R30) We recommend:</p> <ul style="list-style-type: none"> • regional 'round tables' to be undertaken by MOEYS that provide detailed information are necessary starting points. • Assistance to regional actors to work out what their role is in project development. Leaders need to attend development workshops that enable them to visualise how projects could be developed and in what areas. This should include guidance in how the 	<p>Immediately</p>

	<p>However, there is a pre requisite that schools and regional actors are aware of the opportunities to develop projects to meet real needs. This awareness needs to include an understanding of what is being done nationally and what their specific areas of opportunity are.</p>	<p>capacity within the organisation can be built. This should address crucial questions such as 'Who should do this?', '<u>How will this be resourced and supported?</u>' need to be addressed.</p> <ul style="list-style-type: none"> • Project development workshops to support those who will do the work. This should focus not only on structural funds but could also focus on other EU funded opportunities such as Leonardo. (The krajs could take a role here in being the catalyst of project development. They could be an information point, a source of knows how about good practice and they could provide a 'help line'. The pedagogic centres could also play a role here). • Finally the respective responsibilities of the krajs and pedagogic centres should be clarified. 	
<p>MOEYS Krajs</p>	<p>Co-financing for regional projects.</p> <p>It is not clear how institutions can find co-finance (with the exception of some apprenticeship schools that have some revenue raising opportunities).</p> <p>Unless co financing is clear, it is unlikely that schools will take up the opportunities.</p> <p>The resource issues need to be faced.</p> <p>If it remains the case that school finances do not permit school financing, other means must be found to solve the problem.</p> <p>This could take the form of a regional grant scheme; it might involve the krajs.</p>	<p>(R31) We recommend that MOEYS and kraj explore and identify clear and stable solution to this problem that is communicated to all applicants as soon as possible.</p>	<p>Immediately and urgently</p>

Medium-Longer-term Issues: Action Recommended in 2005, 2006

To Whom Addressed	Issue	Recommendation or Lesson	To be Actioned by:
MOEYS	<p>National Curriculum: Most regional actors appear to be unclear about how to respond to a national curriculum.</p> <p>The concept of a competence-based national curriculum that specifies inputs and results tightly, leaving responsibility for implementation regionally or locally is rather new.</p> <p>As a consequence regional actors are not aware of how to take opportunities for the development of implementation methods and materials for the curriculum.</p>	<p>(R32) Regional seminars could be organised to demonstrate what the national curriculum is and how it can be implemented, what freedom exists for creative design and how to apply for projects to do this.</p> <p>Case examples should be given that make clear that funding may be available not simply for innovative learning design, but for the dissemination of innovation and its results, so that others may learn and implement</p>	Initiated 2005 continued until completion
Kraj, Pedagogic Centres	<p>Regional Education Strategies: At present these tend to be broadly formulated. As such they do not necessarily lend themselves to the development of School Development Plans.</p> <p>The regional strategies need to be refined, particularly with respect to mid term priorities so that schools can prepare their own development plans, informed by regional needs and the national curriculum.</p> <p>Once school development plans are in place, clarity is likely to emerge about what issues could be taken forward as projects. This should lead to a more informed process of project development.</p>	<p>(R33) MOEYS should give greater guidance on the elaboration of regional education strategies to make them accessible to schools so that they inform school development plans.</p> <p>Schools should be encouraged to prepare development plans through an understanding that kraj resources and more likely to be made available to solve problems that can be justified through an analytical process. The krajs could have a role in giving the wider socio – economic context within which planning should be done, in parallel with MOEYS guidance on curriculum implementation.</p> <p>The interface between MOEYS, Krajs and the pedagogic centres is critical to making this process work. MOEYS could consider to what extent this process needs to be developed. Some clarification of roles, responsibilities and mutual expectations could be beneficial.</p>	Initiated in 2005 and continued until completion
MOEYS	With a view to the next programming	(R34) We recommend MOEYS	mid-2005

	<p>period, the MOEYS needs to find a manner to integrate ESF and domestic financial resources, within clear programmes designed to renew the educational system. These programmes need to be designed and negotiated centrally and should “pool” all relevant: finances. It is inefficient and potentially hazardous to seek to fund so many mainstream education projects in the currently fragmented manner.</p>	<p>adopt the principle of a fully integrated programme approach for the next SF programming period.</p> <p>We further recommend that design of relevant programmes be initiated by start 2006 at latest.</p>	<p>Start 2006</p>
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6.2.3 Infrastructure

Infrastructure projects were assisted by ABCap mainly under the JROP (mainly transport, urban development, physical infrastructure for social purposes) and SPD 2.

Infrastructure - Immediate Issues: Action Recommended before March 2005

To Whom Addressed	Issue	Recommendation or Lesson	To be Actioned by:
Project applicants, Ministry for Regional Development (MRD), Ministry of Industry and Trade, Consultants/ RDAs, Prague City Hall, krajs.	<p>Throughout the Czech Republic, there is a huge imbalance in terms of interest, skill and focus on technical preparation of infrastructure projects as opposed to preparation of projects for public support that should contribute to economic and/or social outcomes. In general Czech public and private bodies and Czech consultants are very able to undertake the technical preparations of large physical projects. This includes preparation of relevant documentation.</p> <p>But they are in general disinterested by and inexperienced in developing projects that merit public and especially EU financial support and which must meet certain economic and/or social criteria. This observation applies across all relevant public bodies at central and regional level which commission such work, to decision-makers and to those who design and implement such projects. In practice the quality of technical documentation often exceeds considerably the quality of the project proposal – which though technically well-designed fails to address elementary criteria for public support.</p>	(R35) We recommend that concerned Managing Authorities and Intermediate Bodies explore ABCap materials and use them to promote a simple message on the importance of economic and social return on infrastructure projects.	Immediately
MRD, Consultants, Applicants, Prague City Hall, krajs.	The most basic mistake in development of infrastructure projects relates to the lack of attention to demand for the benefits deriving from the proposed investment. It is more appropriate to put early emphasis on this and on the overall logic of the project (results, outputs, objectives), than, as is often the case, on feasibility studies of doubtful quality.	(R36) We strongly recommend that this issue be addressed by relevant Managing Authorities through information seminars/workshops and other more formal communication and training. We recommend that the relevant Managing Authorities adopt the formats developed by the ABCap project for demand scan in various sectors.	Immediately
MRD,	Far too many projects begin as a	(R37)We recommend that all	Immediately

Consultants, Applicants, Prague City Hall, krajs.	series of activities conceived in an exclusively political perspective and economic data is then made to fit into political realities. Political goals/ambitions of individuals or governing political parties prevail over actual needs of Regions, municipalities, etc.	investments should be based on a proper identification of needs and demand as indicated above.		
MRD, Consultants, Prague City Hall, krajs.	Major infrastructure projects cannot in practice be elaborated to a mature stage unless there is a high likelihood of financial support. In practice this means that such projects cannot be developed in isolation by promoters (even if these are regional public bodies) but require encouragement and advice from the bodies that will in fact provide most funding. For this reason, the strategic framework for such investments needs to be developed in detail and the procedures of programme promotion and selection need to be focused on encouraging the best possible projects.	(R38) We recommend that relevant "information to Applicants" make clear what it is they want to fund and relate this to clear strategic frameworks from which should derive relevant selection criteria. Future measure design (or any revision of existing measures) should also address this issue.	Immediately	

Medium-Longer-term Issues : Action Recommended in 2005, 2006

To Whom Addressed	Issue	Recommendation or Lesson	To be Actioned by:
All Managing Authorities of programmes with infrastructure components, CSF Managing Authority	(As above) Throughout the Czech Republic, there is a huge imbalance in terms of interest, skill and focus on technical preparation of infrastructure projects as opposed to preparation of projects for public support that should contribute to economic and/or social outcomes. In general Czech public and private bodies and Czech consultants are very able to undertake the technical preparations of large physical projects. This includes preparation of relevant documentation. But they are in general disinterested by and inexperienced in developing projects that merit public and especially EU financial support and which must meet certain economic and/or social criteria. This observation applies across all relevant public bodies at central and regional level which commission such work, to decision-makers and to those who design and implement such projects. In practice the quality of technical documentation	(R39) With a view to preparation of the next programming period, we recommend that relevant Managing Authorities - if required coordinated by the CSF Managing Authority - examine the approach to project appraisal practiced in the United Kingdom (http://www2.dfpni.gov.uk/economic_appraisal_guidance/pdfs/ni-practical-guide.pdf) source to give] and Ireland in the area of Structural Funds (and all domestic public investments). These are rational, common sense, relatively non-bureaucratic approaches which, in our view, are significantly superior to current Czech practice. • We also bring to the attention of the Managing Authorities the current	Initiated Spring 2005, complete by end 2005

	<p>often exceeds considerably the quality of the project proposal – which though technically well designed fails to address elementary criteria for public support. The most basic mistake in development of infrastructure projects relates to the lack of attention to demand for the benefits deriving from the proposed investment. It is more appropriate to put early emphasis on this and on the overall logic of the project (results, outputs, objectives), than, as is often the case, on feasibility studies of doubtful quality. Feasibility studies, demand scan and/or CBA should become real instruments for decision making not just an essay to be written to meet one of bureaucratic conditions for the EU co-financing.</p>	<p>practice in Ireland according to which it is the Managing Authority itself that commissions economic appraisals of projects (to inform the selection process) and that this practice was introduced in 2000 on the clear recommendation of the European Court of Auditors.</p>	
<p>All Managing Authorities of programmes with infrastructure components, CSF Managing, Authority European Commission</p>	<p>Evidently criteria for project assessment are too scattered in programming documents. JROP has good manuals, which enable the applicant to develop a project appropriately, other Ops and Programme Complements are less clear.</p> <p>Indeed the respective quality of OPs/ and Programme Complements are often totally different.</p>	<p>(R40) In order to better coordinate Ops and PCs in the next programming period (whether in fact such terms exist, there will still be practical need for documents of this nature), we recommend that the CSF Managing Authority (or its equivalent ensure these documents are elaborated simultaneously and cross-checked continuously. In this manner programme designers will be forced to confront operational and implementation issues much earlier and verify consistency between strategic policy goals and their practical implementation.</p>	<p>Spring 2006</p>

6.2.4 Tourism

It is only fair to record an overall impression among our tourism experts – including experienced international experts. Despite much frenetic activity, there was an absence of any clear evidence that this was driven by some overall strategically planned process. It is not enough to have well-prepared tourism projects which can stand up to scrutiny during a Structural Funds evaluation process. There should also be some conviction that when implemented they will all add up to the achievement of some overall national and regional goals. A prerequisite for such a conviction is some concept of which regions are or should

be a priority for tourism development and which products are priorities for development (and where). Practical recommendations to address this weakness are made in the tables below.

The immediate findings from the tourism projects being prepared for the financing from JROP are the following:

- Every Czech municipality believes it is a natural centre of tourism and that is therefore legitimate to prepare tourism-oriented project. A parallel survey organized by BermanGroup and University of Pardubice showed that 97% municipalities believe they have historic and architectonic monuments interesting enough for tourists.
- Czech municipalities believe the larger the project, the better, and do not focus on the most important activities/actions to be taken; municipalities often try to “copy” successful projects from elsewhere without focusing on local / regional specifics
- Municipalities (usually in the rural areas) try to resolve many of their problems (with abandoned buildings, lack of infrastructure) by preparation of so-called tourism projects. At the same time they fail to carry out a demand analysis, identify target groups and projects are often not primarily oriented on tourism development
- In many cases, the prospect of securing EU funds represents the main motivation for project implementation. As a result, no rigorous economic appraisal is undertaken, and in many cases the projects are not sustainable
- Municipalities usually do not want (and do not know how to) operate tourism facilities; there is a lack of professionals in tourism industry on municipal level.

The tables below address these issues, and several others which revealed themselves in the course of the project, and they present appropriate recommendations. The tables also address certain medium/long term issues which are essentially concerned with using Structural Funds resources to create a more fertile environment within which the individual project seeking support will have a better chance to prosper and succeed. A more structured and comprehensive examination of the tourism sector would undoubtedly suggest further issues and additional actions needed.

Immediate Issues: Action Recommended before March 2005

To Whom Addressed	Issue	Recommendation or Lesson	To be Actioned by:
MRD (Tourism Department), JROP MA, krajs	Project developers require further assistance with regard to demand scan/analysis, project feasibility,	(R41) We recommend further training of municipal representatives	January 2005

	what constitutes “good” and “bad” projects This assistance also needs to cover –sustainability.	(based on ABCap methodology) in project preparation and an information campaign to disseminate results of the 1 st round of applications	
MRD (Tourism Department, krajs	In many cases, the real goal of many projects is something other than tourism, e.g. cleaning up polluted sites, conservation of heritage sites, development of community facilities. Local development actors lack appreciation of the potential economic contribution of tourism to their areas.	(R42) We recommend a series of seminars in each Kraj, to guide potential project proposers in identification of attractive tourism projects. The core seminar to be designed at MRD while delivery at should be Kraj level.	End of 2004
JROP MA MRD (Tourism Department), Krajs	Few projects have seriously addressed the question of demand for the facilities proposed. Such projects will generally not endure unless a viable market exists.	(R43) We strongly recommend that SF support should be denied to projects which have not demonstrated a market demand relative to the scale of provision envisaged.	Immediately
MRD (Tourism Department) Krajs	There is a clear lack of experience and knowledge of international best practice in designing vibrant tourist attractions. Opportunities will be lost, and many new attractions assisted will end up dull and boring because the investment was concentrated in the physical structures rather than in “telling the story” of interest to visitors.	(R44) We recommend a national conference, for grant holders and potential future applicants, to demonstrate best international practice and explain how to access it and apply it. Kraj should recruit participants to this event	Planning to Start 2005
MRD (Tourism Department), JROP MA, Krajs	Applicants' main financial focus is on securing the money from Structural Funds, at the expense of a rigorous financial analysis for their projects. In practice co-financing is often not tied down; operational viability is not tested; accurate budgets for expenditure and income do not exist.	(R45) We recommend that, before granting support to any project, contracting authorities must insist that realistic projections of operating income and expenditure are presented. Where a deficit arises there must be a legally enforceable commitment to cover it, before a project is granted support.	Immediately
JROP MA. MRD (Tourism Department), krajs	In many projects marketing is generally overlooked. The need for marketing is not appreciated. The tourism marketing process is poorly understood.	(R46) We recommend a tourism-marketing workshop in each Kraj, to explore the necessary marketing strategies and processes for public sector and private sector players, and opportunities for partnership marketing.	Planning to begin immediately. Implementation before end 2005.
MRD (Tourism Department), krajs	Private sector has had little exposure to project preparation guidance. It is likely that private sector projects will be poorly prepared, and many will be focussed on the inappropriate priorities.	(R47) We recommend elaboration and publication of a guide to opportunities for private sector investment in tourism in Czech Republic, highlighting region and product priorities. A series of project preparation training programmes could be held n Prague, and 2/3 other regional venues. MRD should design and coordinate and krajs deliver.	Start 2005
MRD (Tourism Department),	Funding under the tourism measure is likely to be distributed fairly equally	(R48) We recommend that the outcomes of the first round award	March 2005

JROP MA, JROP Monitoring Committee krajs	between the Krajs, even though some have far greater tourism potential than others. It is likely that many highly desirable projects will fail to secure funding in the stronger tourism regions, whereas many less worthy applications will succeed in Krajs with limited tourism potential.	of funding be reviewed and that appropriate adjustments be made to the funding allocations in subsequent rounds.	
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Medium-Longer-term Issues: Action Recommended in 2005, 2006

To Whom Addressed	Issue	Recommendation or Lesson	To be Actioned by:
MRD (Tourism Department)	Projects are emerging on an ad hoc basis, focussed on actions, which are most likely to secure Structural Funds support. In many cases proposed projects do not address the main tourism-related issues A comprehensive national strategic framework is required, which would give leadership and vision, and see all individual projects supported adding up to the achievement of clear national objectives. Within this perspective certain activities can be delegated or focused mainly on regional level within a Regional Tourism Strategy.	(R49) We recommend that the MRD prepare a National Tourism Strategy which would specifically define what the country wants to achieve in tourism, what needs to be done to achieve this, how and with what resources. Regional Tourism Marketing Strategies should be included within this. This would exert a very positive influence on the quality of projects which would emerge seeking ERDF support in the future.	Mid-2005 (in advance of next SF programming period)
MRD Tourism Department, krajs	Tourism marketing and promotion is fragmented and uncoordinated. In such a situation individual marketing initiatives are sure to under-achieve and there is little prospect of a long-term sustainable impact.	(R50) We recommend that the MRD lead the development of a marketing strategy that should integrate national and regional marketing efforts, and public and private sector marketing activities. The MRD Tourism Department should initiate this in partnership with krajs.	By Mid 2005
MRD Tourism Department, Czech Tourism, krajs	The organisational structures for tourism development are weak, and poorly co-ordinated, at national, regional and local levels. The top (or centre) is waiting for initiatives to come from the bottom level (or regional level), so that it can evaluate them. But the bottom levels have little experience of formulating policy-relevant projects, and can hardly be expected to develop this without a framework, guidelines, and participatory support from the top.	(R51) We recommend that MRD Tourism Department commission a study which would design an integrated institutional framework at national, regional and local levels capable of driving forward tourism strategy formulation and implementation action. This should be done in conjunction with Czech Tourism and krajs.	Mid 2005
MRD Tourism Department, Czech Tourism, krajs	There is high turnover of personnel in the tourism departments at national and regional levels. It is difficult in this situation to achieve continuity in policy-making, due to limited numbers of staff with solid tourism experience.	(R52) Within the proposed study (see above) of the institutional framework, we recommend consideration should be given to how a tourism policy-making unit could be established, either as a separate entity, or as a component of Czech Tourism.	Mid 2005
MRD Tourism Department, Czech Tourism, Krajs	There is an urgent need for skills development, especially in Customer Service and Marketing. There is a need for specific tourism training programmes of high quality.	(R53) We recommend that specific Tourism Human Resource Development, funded by the ESF, should be provided for in the next programming period of SF	Planning and design complete by mid 2006

		spending.	
MRD Tourism Department and Czech Tourism	Internet marketing is poorly developed in the Czech tourism sector. National Regional and local efforts should be seamlessly integrated. Systems should provide not only information, but also the opportunity to complete the sale.	(R54) We recommend an official national Portal Site should be developed to integrate all fragmented systems.	By start 2006
MRD Tourism Department, Krajs, Municipalities	Tourist Information Centres (TICs) lack the capacity to provide a good information service on the wider region, or on the national situation. There is no obvious incentive to TICs to do this on their own initiative.	(R55) We recommend that Czech Tourism initiate a national TIC networking programme, through which national information would be provided, at different service levels, depending on the strategic importance of the TIC.	By March 2006.
MRD Tourism Department; Czech Tourism	Progress is slow in the development of niche markets for Special Interest products, such as Business Tourism, Health Tourism, Rural Tourism, Cycling, Walking etc. The many product elements which go to make up a successful holiday in each of these niches need to combine their efforts professionally.	(R56) We recommend that a small number of Product Marketing Companies be formed to drive forward the professional development of niche marketing in these fields.	By end 2005
MRD Tourism Department, Czech Tourism, Krajs.	There is currently no major "push" to establish Destination Management Organisations given the absence of a clear national concept of the ideal model. Experience from elsewhere suggests Destination Management will work best when undertaken in accordance with a coordinated national framework based on a system which cascades down from National to Regional to Local, with objectives for each level.	(R57) We recommend that national initiatives be undertaken to develop a 4-tier system: <ul style="list-style-type: none"> • National (Czech Tourism) • 3-4 Distinctive Areas (Groups of Krajs) • Regional (Krajs) • Local (Key destinations) 	By March 2006
MRD Tourism Department, Czech Tourism, Krajs.	The current Czech system of accommodation classification and grading does not provide an adequate guide to holiday planning. International experience suggests tourists increasingly plan their own holidays and demand reliable advance guidance on the nature and quality of their accommodation choice.	(R58) We recommend that MRD Tourism Department devise and introduce an updated accommodation and grading system which is easily comparable with best international norms. Future structural funds programme should provide grants to assist providers reach accredited standards.	Planned and designed by mid 2006
Czech Tourism and Krajs	International experience suggests that in situations where there exists a lot of tourism literature, there is also a lack of coordination and planning in its production, the quality of much of it is usually mediocre and it involves many gaps for the tourist trying to plan his own holiday. Left to their own devices, it is hard to expect a wide range of players to come up with a co-ordinated output of tourism literature. Those with a poor understanding of tourism marketing often see literature production as a first objective, rather than something to satisfy a demand you create.	(R59) We recommend that Czech Tourism and krajs jointly develop a nationally co-ordinated plan for the essential tourism literature requirements, closely integrated with the national marketing strategy	By March 2006

6.2.5 JROP Grant Schemes

Immediate Issues: Action Recommended before March 2005

To Whom Addressed	Issue	Recommendation or Lesson	To be Actioned by:
Krajs, MRD/JROP Managing Authority	<p>To a very large degree, and in complete contradiction to ABCap Team's advice, almost all krajs for all schemes have systematically refused to target their schemes more narrowly than the measure itself.</p> <p>This intention to "retain openness" may have many reasons: a) inability to know the target group and its needs b) desire to keep political options open c) perception that the scheme must exactly mirror the breadth of the measure d) simple lack of technical rigour and/or lack of intellectual effort. In our view this is an error and in more experienced regions, it is inexcusable.</p>	(R60) We recommend that the JROP MA ensure that Grant Schemes are not a mechanism for channelling a loose cascade of public money but rather a target response to clearly identified regional development needs. If necessary certain schemes that demonstrably fail to target (where clearly they should have been able to) should be sent back for revision.	Immediately
MRD/JROP MA	There continue to be significant pressure points between overall JROP programme management and Grant Scheme implementation. These will take some time to resolve but when resolved, a durable mechanism for supporting kraj-level regional development will have been perfected.	(R61) In order to facilitate resolution of outstanding issues we recommend the establishment of a National Grant Scheme Forum. This should be established and facilitated by the JROP MA and can involve other ministries and agencies as required. It should define a work method based on identification of problems and exploration of solutions. Each meeting should be based on the refined output from the previous meeting. If required external facilitation and coaching expertise should be sought. In this manner the progress made in recent months with the help of the ABCap Team can be sustained by being integrated into the normal communication channels between MRD and krajs. Forum representative of the Managing and Implementing Authorities at national level as well as the kraj practitioners.	Immediately
Kraj Grant Scheme Departments	ABCap has begun, in partnership with kraj administrations, a series of workshops and seminars to help small project developers prepare projects for Grant Schemes. Evidence suggests that there will be a need to continue this kind of "hand-on" workshop and to combine it with other forms of support.	<p>(R62) To ensure the development of quality applications, thereby maximising the ultimate impact of the Schemes, we recommend a comprehensive promotional campaign to be implemented in each kraj area. This campaign to be directed towards the building of awareness, knowledge and expertise identifying and preparing good projects. We recommend it use ABCap materials and involve be animated by kraj officials who have worked alongside ABCap. It may involve:</p> <ul style="list-style-type: none"> • Promotional literature distribution • Information seminars • Conferences <p>We further recommend that kraj develop a system of support to project promoters. It</p>	Immediately

		<p>should include:</p> <ul style="list-style-type: none"> • Provision of full time support executives (ideal) • Provision of part time support executives • Development of web based FAQ site • Provision of Help Desks at designated locations and times. <p>We recommend further, that if possible, kraj actually implement a full PfP programme (perhaps jointly at NUTS 2 region) including its full certification system.</p>	
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Medium-Longer-term Issues: Action Recommended in 2005, 2006

To Whom Addressed	Issue	Recommendation or Lesson	To be Actioned by:
Krajs, MRD/JROP Managing Authority	Structural Funds offer to kraj the chance to become serious players in promoting regional economic and social development over a long period. The degree of responsibility given to krajs is much more than seemed possible one year ago. Kraj political leaders need to see this as a "chance in a life-time" to position the kraj as a professional, competent and serious player in this area. To do so they need to develop real "development" know-how. Their staff need to know the needs of the various economic and social actors on the ground, and should be able to respond to these needs, strategically and in the long-term through well-designed, programme-based schemes. This will require a real revolution in the working culture and the skill base of several kraj departments. But, in our view, it is an investment worth making. Kraj need to ask themselves: Do they see this as their role, what does it imply and in which areas does it mean they need to be active? What added value do kraj bring as opposed to the State and its ministries and agencies or municipalities? What are the possibilities and limits of this role in Structural Funds relevant areas?	(R63) Kraj administrations should undertake a serious reflection on their role as regional development catalysts. We recommend that together they commission a study to map out their ideas their role in the next programming period, taking account of their legal competences, own financial means, the direction of EU Cohesion Policy and relevant Czech sectoral policies. This study should involve an initial vision, and in a second stage should extend to identify the implications of that vision in terms of relevant resources (see below)	Commission study Spring 2005, complete Autumn 2005.
Kraj Administrations: their Political Leadership	In order to carry out their new responsibilities and to seize the new opportunities that Structural Funds now offer for kraj-focused regional development, kraj administrations will need to develop their capability in terms of competence and resources. While this may appear to pose a major budgetary burden, it is an investment in the kraj's place as motor of regional development. Kraj administrations will require significant	(R64) We recommend each kraj prepare a medium-term plan for this inevitable organisational change. This should anticipate the future structural funds period, identify own budgetary resources to cover administrative costs, should set standards of service related to the kraj's role in promoting regional development, should define necessary learning	Initiated by Autumn 2005, complete by February 2006, revised end 2006 in advance of next programming period.

	<p>organisational change from a largely bureaucratic structure to one more focused on supportive, proactive, development. More specifically, over the current period of Structural Funds and Grant Scheme implementation, kraj need to be learning how to be effective promoters of regional development. They need to prove, to central government, to the European Commission, that they are capable of using Structural Funds effectively for regional development. This is essential if they have the ambition of playing a role in the programming period after 2007.</p>	<p>and training support. We recommend that this should develop out of kraj projects implemented under JROP 3.3.</p>	
MRD/JROP MA	<p>In order to be able to be promote not merely legal compliance with Structural Funds rules but rather a sustainable process of regional development, the MRD needs to define its policy and coordinating role in a manner that is acceptable to kraj. To do so it must have some real competence and added value to offer in terms of “development know-how”.</p>	<p>(R65) We therefore recommend that the establish policy units in the following areas:</p> <ul style="list-style-type: none"> • Establishment of sectoral policy units within the MRD to collect and analyse results from the current programming period and prepare, in partnership with kraj, policy initiatives for consideration in future Programmes. • Development of a greater understanding of the target market through closer interaction between the Administration (both Ministry and kraj levels) and Project developers and facilitating the completion of in depth Demand Analyses. 	Spring 2005

7 Beyond Absorption – Challenges Ahead for Managing the Structural Funds in the Czech Republic

7.1 Introduction

In previous chapters we have set out the key issues relating to absorption consistent with the focus of the ABCap project. In this chapter we set down the results of our internal reflection on the issues facing the Czech Republic with regard to the future programming period. In so doing we run the risk of being incomplete or based excessively on our own experience. In the end we consider this a risk worth running: what we say here is our view at this stage, subject to evolution and subject to correction. Above all it is our attempt to feed a policy debate that must precede any serious planning for future structural funds¹⁹.

If the many recommendations we identify in chapter 6 can be implemented then there is every reason to believe that the Czech Republic can indeed build up its level of absorption to a stage where it can use all available structural funds resources. Yet this alone will not automatically ensure that the country progresses in economic and social terms in the most effective manner. Absorption is a necessary condition for progress: it is not sufficient.

This observation is all the more pertinent at the current time, in the wake of the European Commission's publication of its draft regulations for future structural funds and the developing policy agenda of the Europe of 25²⁰. To some extent it can be argued that Cohesion Policy has remained largely unchanged since 1988 in the sense that it is still profoundly governed by a "catch-up" mentality. Moreover this "catch-up" refers to regions and the elimination of disparities between them, though in practice also, and in the case of the Cohesion Countries, primarily, between member states. Still it needs to be asked – and indeed increasingly has been asked – whether this "equity" objective is sufficient, taking account of the global challenges facing the EU, the increasing liberalisation of the world trading system and the huge impact played by the harnessing of advanced technologies.

¹⁹ This chapter has been included at the request of the CSF Managing Authority who asked us to identify longer-term issues, emerging from our experience under the ABCap project, with relevance to the future programming period. The chapter is also inspired by the proceedings from the international conference 'Implementing Structural Funds', Bled, Slovenia, June 15-16, 2000. Rotterdam, ECORYS-NEI. Use has also been made of the ECORYS study 'Key Indicators for Candidate Countries to Effectively Manage the Structural Funds, study commissioned by EC DG Enlarge/Regio. (2002). The chapter has been written by Jan Maarten de Vet and Colm McClements.

²⁰ See draft regulations in English at http://europa.eu.int/comm/regional_policy/sources/docoffic/official/regulation/intronewregl0713_en.htm.

7.2 Catching-Up and Leap-Frogging – The Case of Ireland

Catching up can be step by step or incremental: but at least in small member states it can, under right conditions be quantum. In other words it is possible to “leap frog”: Ireland and a large part of Asia have all done it.

Within the EU, Ireland affords a clear example of this in that its GDP and active work force has more than doubled in less than 10 years, its unemployment rate has dropped from nearly 20% at the start of the nineties to just 4.5% today, while its macroeconomic situation, from being among the worst in Europe, has converged to that of the best. From watching its young people emigrate for one and half centuries, the country now requires the young people of other countries to meet its labour market requirements.

Irrespective of the merits of the Irish “model”, - and every country has to develop its own path to economic growth - certain formal and organisational features are clear.

Firstly, government has increasingly acted on the basis of long-term policy objectives which do not change – even in difficult circumstances, and despite changes in government. These objectives command widespread understanding and support and are anchored in broad social consensus. They have been developed on the basis of hard learned experience (including multiple mistakes), and are set out in policy documents that are articulated through domestic programmes integrated with the State’s investment capability: in other words policy and resources are integrated over a long period. This integration now reaches its height with the current National Development Plan which in practice integrates, over a seven-year period, the public investment resources with all major economic and social policy objectives and their programmes.

Secondly, and as is evident from the first point – the quality of policy-making and to a lesser extent implementation has improved. Policy and its implementation is continually subject to evaluation. Delivery and implementation structures - State development agencies, the Employment Service, tourism promotion agency, Roads Authority, - have always been substantial and relatively professional bodies, but are increasingly required to become more efficient. Indeed this is part of the overall conception to modernise further and reform the public service.

Thirdly, the State’s finances have been organised on a long-term logic, whereby the parameters of economic and monetary union have been fully reconciled with the demands of further public investment in policy-priority areas: this has demanded wholesale reform stretching back as far as 1988, involving, among other things, a full review of taxation policy, and more recently tax gathering mechanisms and practices. No country in the Europe of 15 has undergone such a thorough-going and radical change in this respect.

Fourthly, there has been clear “prioritisation between priorities” stretching back several years: all secondary infrastructure has had to await investment while preference has been given to human resource development, business development and primary infrastructure. More controversially between 1988 and 1995 social spending was curtailed and tax levels had to be kept relatively high to service the country’s debt.

Fifthly and perhaps most importantly, there has been close coordination between fiscal incentives and subsidy to investment to support entrepreneurship and investment. Increasingly this has been revised to increase effectiveness and take account of EU requirements²¹.

²¹ The main changes in recent times are the virtual abolition of all public financial support to private sector capital investment (considered inefficient and prone to wastage) in favour of soft support to innovation, human resource development. The previous 10% corporation tax rate applicable to new manufacturing or financial services activity has been abolished (for non-compliance with EU policy on “fiscal” State Aids, and replaced by an overall 12.5% corporation tax rate applicable to all companies.

In addition to the above certain permanent parameters clearly constitute fundamental conditions without which the quantum leap made by Ireland simply could not have occurred. Primary among these is a stable, independent and relatively efficient public service, an increasing climate of transparency, a quasi non-existent level of corruption among public officials, the growing confidence of a relatively youthful population and their consequent demands for change and access to new opportunities. In short the efficiency and integrity of the public administration and the growing transparency of governance structures are also factors of success.

The Irish experience goes well beyond Structural and Cohesion Funds. But at a time when the public debt was over 100% of GDP, the Government deficit at 12% of GDP and unemployment at 18% (the situation in 1988-1991), Structural Funds allowed Ireland to continue to give expression to ambitious policy objectives which otherwise could not have sustained public and political support. Over time as Structural Funds have become less important in relative terms, they have transferred to Irish investment planning, programming and evaluation a discipline that has re-enforced the historic strengths of policy and policy implementation and helped to address many of their weaknesses. By allowing policy makers to continue to invest in key endowment levels of long-term growth and competitiveness (especially human capital and investment in the business environment) despite the strong sense of crisis of the late eighties and early nineties, Structural Funds were, at a critical time, a major factor in Ireland's longer-term success.

7.3 Preparing for 2007+

The Irish model, for all its merits, is now of largely historic interest only. Even Irish policy makers recognize that what has worked over the last ten years will not necessarily work for the next generation. New issues are now on the agenda: within an integrated European and more particularly global economy, it is practically not possible to sustain the kind of growth and development required (especially in the face of an ageing population) without shifting gear and focusing decisively on the long-run factors of competitiveness and growth.

This realization clearly lies behind the European Commission's new Cohesion proposals with their sharp focus on "convergence" for lagging regions and its proposal to continue support to other regions in order to enhance competitiveness in a global context. The subtle shift

implied by this takes the Lisbon Agenda onto the centre-ground of Cohesion policy, adds political pressure to think long-term, to improve the quality of policy and strategy making in economic and social development investment and to improve the focus and effectiveness of implementation. In short beyond absorption it is essential to think towards real convergence in a context of growing competitiveness.

The Lisbon Agenda: What 's It About?

In March 2000, EU heads of State and Government agreed to make the EU "the most competitive and dynamic knowledge-driven economy by 2010". Concrete goals were set for GDP growth (3% per year), the percentage of GDP to be spend on R&D (3%, of which 2/3 by the private sector) and the participation rate of the labour force (70%). Although some progress has been made in boosting innovation and reform in the EU's economies, there is growing concern that the reform process is not going fast enough and that the ambitious targets will not be reached. A high-level expert group, chaired by Wim Kok, is now assessing the instruments used to date and will make recommendations on how to give new impetus to the Lisbon Strategy.

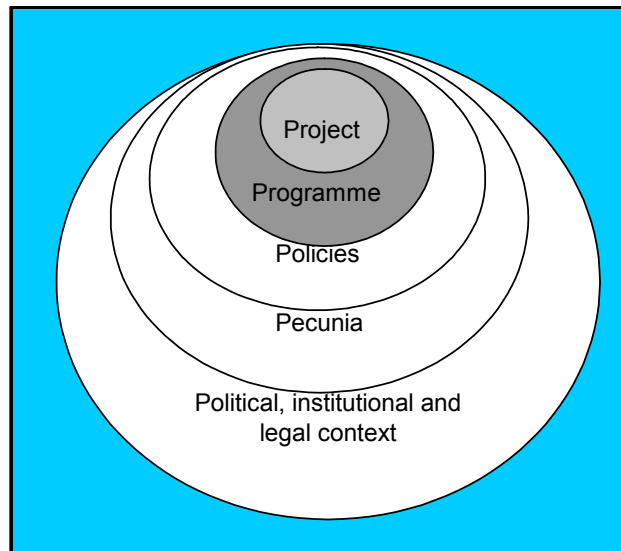
Within this context, the Third Report on Economic and Social Cohesion (February 2004) announced that the next generation of Structural Funds (2007-2013) will need to contribute to this competitiveness agenda. Thereto, part of the Funds will be opened to all regions in the EU, provided they come with strategies that contribute to these aims.

The Lisbon Agenda is now a major parameter, we would suggest, the major parameter for the Czech Republic's attempts to gain sustainable competitiveness and raise living standards relative to other nations and regions. Practically, failure to embrace its new directions could mean that the Czech Republic would focus only on 'catching up' with European average incomes that may not be satisfactory for welfare of future generations. Instead, embracing the European Lisbon Agenda goes hand in hand with a more ambitious target, allowing 'leap-frogging' of a kind seen in recent years in Ireland.

New Challenges

Lisbon poses new challenges. Among these is the requirement to see projects in a broader context. In working on the Structural Funds, the usual focus lies on the relation between the project and the programme. Yet, the success of projects (in terms of relevance, effectiveness, efficiency, impact and sustainability) depends largely on the broader context in which they take place. So policies, 'pecunia' (finance) and the political, institutional and legal context all play a role as well.

Figure: Projects as ‘top of the Iceberg’



In building an agenda for the future, it is these issues which need to be on the Czech policy agenda. And they need to be on the agenda, together, simultaneously, looked at holistically, not piece by piece, but together.

We will now touch upon a range of challenges that relate to these issues and go beyond absorption questions. We seek to point towards the requirements of effective absorption: i.e. absorption that supports a leap to higher growth and competitiveness.

We propose below eleven challenges that in our view need to be considered by policy and programme makers before they actually begin the work of preparation of the next Structural Funds programme.

7.4 Challenges to Shift Gear

Challenge 1: Benchmarking – Go Beyond Your Neighbours

As part of the task of developing robust domestic programmes anchored in policy and strategy and operationalised through appropriate delivery structures and resources, it is essential to understand where the Czech Republic stands in relation to its international and European competitors. It is often the case that countries or regions are content to do better than before (or in the case of regions relative to the region “down the road”), even if they are slipping still further behind the most dynamic regions at European or international level. Indeed, the justification for using the Structural Funds still lies with the convergence objective, namely to raise GDP levels to higher levels, both compared to other Czech regions, but especially so at European level. For us it is important to understand convergence in a more ambitious and dynamic manner. Even convergence to a certain level of GDP, in the current context of economic and technological competition is unlikely to bring a sound enough basis for future welfare.

Yet many established Member States demonstrate so little economic dynamic that they are not likely to contribute much to Lisbon objectives, at least within the foreseeable future. The Czech Republic, being among the more promising new Member States, is particularly well-placed to follow higher development trajectories. It is however essential for it to continuously benchmark itself in an international perspective – even beyond a European context. For instance, precisely how productive is the Czech labour force compared to its global competitors? How attractive is the Prague as capital region for sustained global tourism? Is it in the top or second league of European Capitals? Where do Czech universities rank internationally now, and in the future? How flexible and mobile is the Czech work force and at what level? How well suited is it to the increasing shift towards technology-driven services and service industries? How well placed is it to ensure appropriate qualities and quantities of management? And importantly, how well do its institutions function? How equipped are its public bodies to deliver important policies and programmes that promote competitiveness, growth and development?

The tools for benchmarking need to be in place and regularly used. Bold targets need to be set subsequently, rigorously monitored and corrective actions taken as required. In this manner the Czech Republic will be able to develop an economic strategy, supported by Structural Funds, that is sufficiently ambitious to drive growth forward.

Challenge 2: Integration of Domestic and EU Financial Means

As suggested by the outcomes of the May 2004 conference this is the Achilles heel of the current system. When working in the Czech Republic we have the impression of being in a

country where Structural Funds are a “marginal” sideshow to the overall public investment programme – as in the UK or France. Structural Funds are not like this in a Cohesion County that seeks rapid growth and is under very serious budgetary pressure to meet its commitments to real and nominal convergence.

Therefore we recommend:

That the Government undertake a comprehensive review before serious planning on the next Structural Funds programme begins, in order to identify and ensure the following:

- a) that there is optimal economy between the resources of structural funds and domestic public investment programme: in other words, that to the limits of the additionality principle, Structural Funds pay for as much public investment in relevant areas as possible. To ensure this the Finance Ministry and Ministry of Regional Development need to survey both the State Budget and eligible Structural Funds areas to identify any relevant wastage or “potential loss” and factor this into future Structural Funds planning. Any ministries or programme managers who refuse EU monies in specific areas when offered, (feeling they need not make the effort since they have sufficient domestic resources) should see their budgets (both investment and operational) slashed and programmes abandoned. Operational budgets need to be aligned more closely on the resource requirements that must meet credible investment commitments: in other words key delivery bodies (such as CzechInvest, Employment Services Department and Labour Offices etc) need to be assured of the means to design and deliver programmes – but **on condition that they put in place adequate human resource and organisational development plans to ensure real gains in efficiency.**
- b) Related to a) the entire payments system needs to be reviewed with a view to the remainder of this programming period and especially next. Specifically it must be simplified. If legislation is required, so be it. The system needs to involve the general principle that the State Budget will ensure cash flow directly at least for sectoral programmes and that a mechanism be designed jointly by the State and regions to ensure a similar result for the JROP. By ensuring cash flow we mean nothing other than that all project applicants – whether final beneficiaries or final recipients – should be reimbursed in arrears relatively quickly (usually around 2-3 months). However in order to ensure this, it will be necessary that domestic public finance reimburse before reimbursal, in its turn, from the European Commission. This is how it works in other countries. In the absence of this approach we are certain there will be breakdowns and bottlenecks in programmes.

Implementation of this recommendation will become much easier if the approach, recommended below, is adopted.

Challenge 3: Integrating Structural Funds and Domestic Policy. Programming and Financial Planning

Under the Phare influence, there has been a tendency to see projects as the focus of investment, to see them in isolation (despite all the “talk” of strategy). Structural Funds in the new Accession States often perpetuate this isolationism: many initial programming documents in many Accession States are not sufficiently integrated into national or regional policies (or finances) and this is becoming evident as we move to implementation. In this optic, Structural Funds are an “island” surrounded by a sea of domestic investments to which they are not adequately linked. We see this in the many areas (in which we have worked) where projects fall outside of well-designed national policies and programmes, that would closely operationalise policy and strategic priorities. This is especially the case in the following areas:

1. Active Labour Market Policy/Domestic Programmes
2. Vocational and Educational Policy/Policy Domestic Programme
3. National Tourism Policy/Domestic Programmes
4. Business Support Policy/Programmes
5. Business Environment/ (Soft and Hard) Infrastructure Policy/ Domestic Programmes - especially related to innovation
6. Regional Development Strategies/Programme-Based Schemes (kraj level)
7. Information Society Policy/Programmes.

Currently as compared with the Irish example all of the above “domestic programmes” are either non-existent or weak (the programme approach is however best defined in the area of business support and business environment programmes – though it could be strengthened, and it links in relatively well with relevant structural funds measures). If this could be remedied in the Czech Republic, then in one step, policy and its implementation would be improved and projects would directly fall out of the programmes (in many cases, especially areas 1,2, 3,) and in other cases would be closely inspired by them.

In our view, Structural Funds should primarily co-finance domestic public expenditure and investment relevant to economic and social cohesion priority areas. In a country such as the Czech Republic, and despite a significant regionalisation of recent years, the majority of this domestic investment is still made by central government. In this situation Structural Funds

should logically support central government public policy priorities, consistent with the demands of EU economic and social cohesion in addition to supporting intervention areas devolved to regions. In the interests of efficiency and in order to facilitate a smooth interface between Structural Funds and domestic public investment, domestic interventions should be organised into coherent programmes. These programmes should be characterised by clear objectives, tight targeting, financing plans rooted in medium-term budgetary planning, with clear indicators in terms of impact, results and outputs. They should be endowed with resources to cover operational costs and administrative/staffing overheads over a long period and they should include a solution, built into programme design, to take account of all possible legal and institutional constraints. It is precisely this kind of programme that is often absent – with the consequent result that these issues are addressed only when drafting measures to channel EU support to them.

These “programmes” in the areas indicated above need to become the main building blocks of individual structural fund measures and it is in this manner that EU structural funds will co-finance these areas. In this situation structural funds will support domestic programmes and/or schemes. Develop these programmes first (with an eye to Structural Fund requirements): **then, and only** draft your structural fund measures!

The shift in policy planning and programme design we indicate for the domestic context is of course not much different from that required for Structural Funds and logically will facilitate Structural Funds planning and programming. But it would imply a significant shift in how central ministries see their role. It would mean they mainstream structural funds, eliminate any undue duplication, re-organise and modernise domestic policy implementation to bring it onto a programme basis, begin to apply modern methods of public sector management not only to structural funds programmes but to all programmes that by definition structural funds should support. In our view this is the **only long-term approach** to high levels of **effective absorption**.

While these issues are especially pressing for central government they are also relevant to regional government (krajs). We have been surprised at the lack of preparation of many kraj even though it has been known for some considerable time that there would be a large number of regional grant schemes. These schemes too should operate as focused programmes rather than as cascades of loose money. But to do so, they need to be mainstreamed within kraj strategic and financial planning, budgets need to be put in place to support appropriate staff and resources, a process of organisational development needs to

get underway to ensure that kraj are connected to the economic and social needs their schemes should target.

It is essential – as a matter of absolute urgency – for central and regional government to set aside resources to develop proper domestic programmes: these will serve as the building blocks to future, hopefully better focussed measures in the 2007+ programme.

Challenge 4: Developing and Optimising Human Resources and Organisational Capability

The fourth challenge is a logical follow on the from the third.

The smooth implementation of Structural Funds requires that knowledge and experience needs to be gained along the road. Institutions must learn to walk before they can run. But this type of learning, does not come from textbooks alone. So one has to learn by doing. Such a process needs to be structured and staff need to be rewarded, at least by certified recognition, for their efforts to improve knowledge and skills relevant to performance.²² Just as important, this type of experience needs to be retained once developed. Too often, staff turnover as well as arbitrary institutional change have led to a leakage of experience, and therefore the need to ‘reinvent the wheel’. Motivating staff, including recognition and proper payment and decent career perspectives are a key to this ‘retention’ challenge. And it cannot be dissociated from appropriate public sector reform.

We recommend that all Managing Authorities and intermediate bodies :

- develop a human resource development plan immediately
- develop an organisational development plan within 18 months
- ensure that both are coherent with tasks to be undertaken for the next programme period
- that both be used to justify applications for multi-annual resource requirements for the next programming period.

²² We have made specific proposals on this subject.. The Commission’s recent proposals clearly give some indication that all future management, implementation and paying bodies will need to be quality assured by the member state – this would of course be a new development for structural funds though not new to Phare. By adopting a structured capacity-building and organisational development approach to structural funds bodies, earlier rather than later, the Czech Republic should be able to meet this future requirement without difficulty. By delaying, the country will run, in the future, the same kind of risk as has emerged with Phare 2003. While system auditing is part of the solution, it needs to be preceded by relevant capacity-building, human resource and organisational development.

Challenge 5 Putting in Place a Credible System to Appraise Structural Funds (and other) Public Investments

The fifth challenge is to ensure that public investment is efficient and effective, consistent with the direction of challenge 2.

We recommend that the relevant Managing Authorities and specifically the JROP and OPIE Managing Authorities review their requirements for feasibility studies and cost benefit analysis, and that in the area of human resource suitable indicators of value for money and cost effectiveness be developed.

Our view has been consistent on this from the start: the demands (outside of the HRDOP) are currently much too heavy and often poorly focused. They lack commonsense, seek information inappropriate to public projects (or practically not worth obtaining unless the project is very large). The JROP procedures seem to transplant practice from the business sector to public projects with little realisation of the different realities. In general the thresholds established for the various studies should be significantly lowered: in the case of CBA to normal EU requirements. For the enterprise sector we continue to recommend that the key document be a pro-forma business plan for all applications for subsidies to investment.

With a view to the next programming period, we strongly recommend that immediately the Ministry of Regional Development propose new guidelines for appraising all public investment. We recommend they explore the current practice of the United Kingdom which offers a comprehensive solution to this. As in the UK, this can then apply to all public investment including Structural Funds supported investment. Under EU programmes in both parts of Ireland, these studies are independently commissioned by the Managing Authority – a practice we recommend. We recommend that the MRD undertake immediately a scoping study into this issue to inform further work. We strongly recommend that feasibility studies should not be used as support to project assessment (as is theoretically the current case) **unless they are independently commissioned by the Managing Authority (as opposed to the promoter)**. We recommend that instead of a feasibility study, an economic appraisal be the main support to project assessment.²³

²³ All relevant documentation on how standard UK practice derived from HMT's "Green Book" should be applied to Structural Funds is given, for the case of Northern Ireland CSF, at http://www2.dfpni.gov.uk/economic_appraisal_guidance/pdfs/ni-practical-guide.pdf.

Challenge 6: Ensuring Synergy between Policies and Redressing Counteracting Policies

Structural Funds actions by themselves cannot compensate for the consequences of broader governmental policies that are perhaps not 'cohesion friendly'. The contribution that other policies should make to the achievement of economic and social cohesion is important and merits policy attention. This is however often treated as a side issue.

Furthermore, during in the first stage of Structural Funds implementation, it has become clear that various institutional or legal reasons continue to prevent project applicants from submitting good projects. For instance in the area of innovation, lack of definition of intellectual property rights and lack of tax incentives all make it difficult to achieve large-scale technology transfer which Structural Funds has identified as programme results. In the area of human resources, there is clear conflict and competition between the levels of labour market subsidies afforded by the ESF and their more generous Czech equivalent (which in our view directly conflicts with an active labour market policy).

Challenge 7: Beyond the lure of Established Channels and Structures

A danger is to focus on absorption without insisting on structural change. This is the real 'absorption trap'. With increasingly strong pressure to spend resources (enforced by the N+2 rule), the easy road is to use established channels and structures even when these are not well adapted to modern requirements. The influx of EU funds can then have the perverse effect of keeping some structures alive even though they are increasingly inefficient and irrelevant. Often these are the hungry organisations – which have difficulty gaining access to funds elsewhere. We see examples of this in several areas: individual schools look to ESF to support curriculum development and they thus make direct application to the programme (something we have never witnessed anywhere else). But in parallel they continue to use domestic money for their core activities. If we saw "change logic" according to which, at some stage the new curricula and structures would replace the old, then we could be more optimistic. We see something similar with active labour market policies: two parallels systems, one EU supported, one Czech, one "new", one "old". We need in these cases to see the clear logic of rapid structural change: neither the EU nor the Czech Republic can afford this parallelism for very long.

Challenge 8: Beyond the lure of Hard Infrastructure

In order to speed up absorption, the temptation will be to focus more on hard infrastructure projects, which are relatively easy to manage appropriately. They seem to offer a better guarantee of absorption when administrative resources are limited. Yet, hard projects are still all too often prioritised on mainly political grounds, and economic effectiveness is given less attention. A good policy mix requires that attention also be devoted to 'soft' actions, including human resources, innovation and business support. Their impact may be less visible in the short term, but could be equally or more substantial in the longer term. With very few exceptions outside of transport and environment, infrastructure does not give rise to any automatic economic return unless accompanied by a series of softer actions. We see examples of this in the tourism sector: many projects are excessively focused on infrastructure to the neglect of adequate marketing, training of personnel or even broader product development. We see it in the Information Society measure of JROP which is unnecessarily targeted on broadband infrastructure to the neglect of strategies to optimise take up of technologies and of more economic ways to provide the same technological benefits at cheaper cost.

Challenge 9: Beyond Risk Avoidance

The implementation of the Structural Funds is not an easy task, and this is understood by all stakeholders involved. This reality can result in a risk-averse behaviour. Yet, it is impossible to get the Structural Funds off the ground without taking any risks. Project applicants will stop developing their projects, and those projects put forward will be rejected. The fear of risk should not lead to paralysis or inactivity. Rather, it is crucial to be aware of risks, to assess the chances that these will occur and to understand their impact and know how to address them. Ergo, risk management rather than risk avoidance. The current culture of demanding huge quantities of documentation from applicants seems part of a belief that quantity will eventually become quality and that more documentation requires less judgement from the assessor – with consequent less risk of error. Yet in the end someone must decide to fund or not to fund and there can be no escape from this essential act of human judgement. Evidence can assist judgement: but judgement is not self-evident. In certain programmes the practice of demanding more and more documents from *all* applicants borders on the irrational. At any rate it is unsustainable²⁴. There needs to be a radical shift in working culture in which risks can be accepted and managed, and where the possibility of making mistakes is seen as an opportunity to learn rather than an act that should always be punished. This will

²⁴ Who for example has time and expertise to read and understand all this documentation? Could we not have envisaged a two stage process whereby full documentation is supplied later, once a decision to fund is given in principle?

in turn create the conditions for badly needed administrative simplification. Most problems we see result from failure to prepare well: there is a danger we are obsessed by the risk of what *might* go wrong, while ignoring what *will certainly* go wrong because of lack of preparation or poor work method.

Challenge 10: Developing Policy from Practice and Driving Practice through Policy: Evaluating Experience

In addition to learning institutions (Challenge 4) it is important to ensure that policy development continues to learn from the practice of implementation and that implementation is truly driven by the intentions of policy-makers. This is the all-important interface between policy and practice. In our view many problems in the past have resulted from the inability to turn this interface into a fertile ground for innovation – on what to do and how to do it. Evaluation can help ensure that lessons are captured, understood, and directed into corrective action and better ways of designing and delivering public interventions. Evaluation can help break the cycle of repeated mistakes, and ensure that new policy and programme directions are embedded in the clear evidence of real requirements. For this reason we strongly recommend that evaluation of the current programme be directed to developing lessons for the next Structural Funds programme. That means that many of these key lessons and solutions need to be proposed and worked out in the course of 2005.

Challenge 11: Focus Structural funds assistance more tightly: make clear what they want to support

The next generation of Structural Funds programmes in the Czech Republic must be better focused than the current generation. Many, indeed most current programmes seek to “enable” various target groups to undertake a selection of possible activities as defined by the measure. This “open” manner of stimulating projects is understandable in the first generation. But it is inefficient and ineffective over the long-term. For the future policy, and its implementation must come together within sharply defined programmes co-financed by Structural Funds, informed by evaluation results of the current period. Rather than simply enabling actors to carry out their chosen activities, future programmes need to be so precisely targeted that it is transparent what public money wants to support and what it does not. What is “wants to support” is what will implement relevant policy as defined in programme and measure objectives. In practice in certain areas it should mean seeking and selecting a few good projects of strategic importance rather than enrolling a mass of smaller projects, of little strategic importance.

6.3 Conclusion

The day-to-day pressures in the management of Structural Funds can be enormous. This often prevents policy makers and practitioners to look ahead, to anticipate and to think about the future. As a result, strategic choices are not always made as sharply as needed. Already quite soon, the Czech government will need to start with the preparations for the next Structural Funds programmes – for the period 2007-2013. Important decisions will be at stake.

The Czech Republic is now at a crossroads. In many areas, it has demonstrated impressive development and progress. The quality and motivation of the work force are exceptional, the central location in Europe remains a key asset, the infrastructure is in a relatively good shape, its capital city has world renown and the country is increasingly connected to international flows of capital, people, ideas and freight. Yet, there are also parts of economy and society which have resisted change. Some manufacturing industries are still ailing, the modernisation of the civil service has not been completed, and the legislative environment does not yet support business development. Tourism infrastructure is only weakly developed outside the capital city; while its promotion and overall quality of service is, in relative terms, poor. Demand and supply on the labour market do not properly match

The next few years will in many ways be decisive for the Czech Republic. Will it remain attached to old habits, institutions and resist change? Or will it continue on its path to modernisation and become one of the most competitive European economies, generating wealth and employment for all its citizens? The Structural Funds provide a powerful tool to support such a fast-track development journey. Yet, they can only fulfil this role when wisely used.

ANNEXES

Annex 1: Finalisation Stage of Project²⁵

Since the last Steering Committee Meeting (11 June 2004), all project activities have been significantly advanced in accordance with the work plan (see Second Quarterly Report, 5.2) agreed then with the Steering Committee. In particular, a major effort, involving both long and short-term assistance, was made to support projects and schemes with a prospect of early submission over the summer. This is reflected in the good results obtained especially relating to JROP projects and schemes actually submitted and OPHRD projects brought to a high degree of readiness in measures 1.1, 1.2, 3.1, 3.2 and for about 40 (mainly ESF/OPHRD) projects supported through Partners for Projects Programmes relating to other measures.

An attempt has been made to address some of the systemic bottlenecks preventing more effective project development of OPIE projects, especially under measure 1.1. Two special workshops (June and September 2004) involving all the key actors and a related paper submitted to MIT and CzechInvest address these issues. The paper is contained in Annex 2 of this Report.

A further workshop in July 2004 and subsequent report sought to give immediate support to CzechInvest officials involved in assessing projects under various measures. A similar workshop was also undertaken for the JROP Managing Authority in July 2004 in order to prepare it for the task of assessing over 70 grant schemes. Some follow up Technical Assistance has also been given in this area.

Three workshops (one in June, two in September 2004) have been held to support Infrastructure projects especially those in Prague and/or those that will not be submitted for funding until later but can learn from first experiences of project submission.

A cycle of three workshops including coaching has been undertaken in June, July and September 2004 to support over ten projects to be submitted under OPHRD measures within the responsibility of the Ministry of Education. The same Ministry formally declined offers of further support to systemic projects in the same area.

A fifth and final workshop has been held to support projects being developed by the Regional Labour Offices under Measures 1.1 and 2.1 of OPHRD. The ABCap project has also relayed to MOLSA specific recommendations relating to urgent and important decisions that in its view must be made, in order to allow for completion of these projects. The relevant correspondence is set out in Annex 3 to this report.

²⁵ This annex – which need not be reproduced in the published version - describes activities since the last Steering Committee.

A three-stage certification process has been undertaken for projects developed under the Partners for Projects Programme: this has involved a) a written, individual test held in early July 2004, b) project preparation, submission and assessment in August 2004 and c) oral presentation of a project and its subsequent defence before a panel in September 6-10, 2004. This has proved hugely successful and popular among participants who have shown immense enthusiasm not only to develop their projects but also to receive a certificate recognising their skills and achievement. Over 10 public officials (from kraj, CzechInvest and the National Training Fund) admitted to this programme in order to learn project development/facilitation skills (even though they had not project themselves) also sought and have obtained official certification. Seven officials from Labour Offices and two kraj officials took part in the assessment panel in September 2004.

A huge effort has been made across all NUTS 2 regions to build up a project pipeline for smaller projects that will be submitted to various Grant Schemes. This work, carried out by long-term regional coordinators in partnership with kraj departments responsible for Grant Scheme implementation, goes significantly beyond what we had originally foreseen under so-called Category 6 assistance to support small project holders. Over 20 project design regional workshops have been carried out over the summer and in September 2004 are directly targeted on persons with a real interest in preparing projects under Grant Schemes, and go significantly beyond the typical "information" seminars often undertaken for project developers. The ABCap team has made a serious effort to ensure active participation from relevant implementing bodies in these workshops in the hope that they will continue this kind of work themselves after the end of the ABCap project.

A third and final interregional project design workshop was held in cooperation with the JROP Managing Authority in late June 2004 to prepare projects for regional capacity-building measure JROP 3.3. and long-term experts have been involved in further coaching and workshop activities in several regions relating to the same measure. The ABCap project has continued to produce various project development learning materials and make them available on its domain on website www.strukturalni-fondy.cz which has recorded nearly 11500 hits.

In all cases assistance has been closed off to beneficiaries through a special report, which sets out the steps the promoter will have to take himself after ABCap assistance and indicates where further help can be sought. All major stakeholders including hejtman of kraj were informed in July 2004 of the close date of the ABCap Project on 15 October 2004. The ABCap Project has also pursued with the CSF Managing Authority, kraj and the JROP

Managing Authority the issue of sustaining the various activities undertaken in the Project. However it is necessary to report that no clear progress has been made in this regard (a matter that was extensively discussed at the previous Steering Committee (June 2004) and the CSF Steering Committee in July 2004) and the Contractor formally expresses his disappointment that there still exists no clear perspective that either PfP or the Training Manual will be further used or promoted by relevant ministries, after ABCap ends.

The Contractor has written to all Work Group members thanking them for their efforts and, in response to specific requests, has given a formal certificate of participation in Work Group activities to all those who attended more than 4 work group meetings.

In short all activities promised in the Second Quarterly Report (5.2) of June 2004 have been carried out as well as certain that were not foreseen and which have been undertaken as a flexible response to emerging needs.

Annex 2

Financial and Resource Issues

The Contractor has sought 2 addenda in the course of the ABCap project, relating to allocation of mandays and allocations between sub-headings in the Incidental Expenditure budget. One reason for seeking the addenda was the project could not use all mandays within the relevant number of calendar days over which it ran. Further reasons related to our desire to respond to needs as flexibly as possible and to work as efficiently as possible. In essence these changes involved:

- increasing the number of local STE days
- decreasing the number of LTE days – international and Czech
- reducing the translation sub-heading in favour of increasing the workshop budget.

Even with these changes, it has been a challenge to meet all commitments including several new commitments that emerged rather late. As a result all mandays will be used (indeed in a few recent instances consultants have “volunteered” to undertake tasks without charge), and almost almost all incidental sub-heading will be exhausted. A small sum will remain in the translation sub-heading but the local travel heading will be slightly overdrawn.

A more detailed analysis – though for incidental expenditure – still not complete will be tabled at the Steering Committee.

Re-allocation of mandays per 28.05.2004 (EuropeAid/113184/D/SV/CZ)

	Estimated Number of Working Days (per contract)	New allocation per 28.05
LTE international	308	283
LTE local	2.464	2.030
STE international	506	558
STE local	440	782

Agreed re-allocation of Incidental Expenditure as of 19.07.004

	<u>As per contract</u>	Re-allocation per 28 May	Requested re-allocation per 19 July
Translation	110.000	70.000	55.000
Local Travel	30.000	25.000	20.000
Workshops, ect.	40.000	85.000	105.000
Audit certificate	1.500	1.500	3.000
CD-Rom	7.500	7.500	7.500
Websites, ect.	6.000	6.000	6.000
Miscellaneous	4.915	4.915	3.415
<u>Total</u>	199.915	199.915	199.915