

Ministry for Regional Development of the Czech Republic
in co-operation with Prague City Hall

**SINGLE PROGRAMMING DOCUMENT
FOR OBJECTIVE 2
FOR THE PRAGUE NUTS 2 REGION
IN THE PERIOD 2004 – 2006**

THE CZECH REPUBLIC

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INTRODUCTION

Reasons for support under Objective 2 of the Structural Funds of the European Communities for the period 2004 to 2006

In 2001, the European Commission (hereinafter referred to as the "Commission") decided that the Prague cohesion region should be focused on support under Objectives 2 and 3. This decision was taken in view of the fact that Prague – unlike other regions in the Czech Republic – is not eligible to receive support under Objective 1 (stimulation of development and structural changes in regions whose development is lagging behind)¹. The first part of the Single Programming Document for the Prague NUTS 2 region was therefore prepared in the second half of 2001 on the basis of guidelines from the Czech Ministry for Regional Development ("MRD")². This was effected by the transformation of the Regional Operational Programme of 1999 and in connection with the Prague Strategic Plan. The above document covered problems that could be dealt with by drawing on support both from the European Regional Development Fund ("ERDF") and the European Social Fund ("ESF"). This document was approved by Prague City Council on 11 December 2001 (under Resolution No. 2171) and was presented to MRD with a view to its completion in 2002 in accord with the requirements of the Ministry.

At the beginning of 2002, however, the Government of the Czech Republic (under Resolution No. 102 of 23 January 2002 on the completion of the preparation of programming documents for the utilisation of the Structural Funds and the Cohesion Fund) elected to have two single programming documents (SPDs) drawn up for the Prague region – under Objective 2 (support for the economic and social conversion of regions which are facing structural problems) and Objective 3 (support for adaptation and modernisation of education, training and employment strategies and systems). SPD for Objective 2 (hereinafter referred to as "SPD Objective 2") is being drawn up under the direction and co-ordination of MRD; the guarantor of the Single Programming Document for Objective 3 (hereinafter referred to as "SPD Objective 3") is the Ministry of Labour and Social Affairs ("MLSA").

The manner and level of the City of Prague's involvement in the preparation of the two documents vary. Prague is the main drafter of SPD Objective 2; in the case of SPD Objective 3, city representatives, in working groups attached to MLSA, are contributing only to the preparation of supporting documents for individual priorities and measures. The work progress and important phase results are regularly assessed by the SPD Committee, which was established by the Prague City Council (via Resolution No. 1589 of 25 September 2001) with a view to securing the involvement of all the key partners in the preparation of both documents and to providing for their co-ordination and expert supervision. An important aspect of the preparatory work was, therefore, an endeavour to ensure that the measures and projects planned under Objectives 2 and 3 are connected in terms of substance, time and space.

¹ According to macroeconomic indicators within the Czech Republic and in comparison with EU regions, the performance of the Prague region is at a high level. The regional gross domestic product of Prague exceeds the average for NUTS 2 regions in the EU up to 30 % (according to the current methodology of calculation). In addition, unemployment is very low (between 3 to 4 %). Therefore, Prague cannot apply for inclusion among the cohesion regions that could be able to draw on support from the EU Structural Funds under Objective 1.

² Cohesion regions (NUTS 2) in the Czech Republic have been established and defined by Act No. 248/2000 Coll., on Support for Regional Development, dated 29 June 2000 (Section 15). The City of Prague NUTS 2 region is identical with the territory of the City of Prague within the administrative limits of the municipality and is under the management of one and the same self-government body and administrative authorities.

The committee evaluated all important phases of the preparation of SPD Objective 2 until termination of its activities after the November 2002 municipal elections. The new political representatives of the City of Prague elected in November 2002 resumed the activities of the SPD Committee in early 2003 by Prague City Council Resolution No. 0062 of 28 January 2003. The task of the new SPD Committee of the Prague City Council is to supervise the completion of the preparation of the city's documents (and their respective programme complements) and to serve the Prague City Council as an advisory body during the process of implementation of both programmes on issues related to utilisation of the EU Structural Funds in the period 2004 – 2006. The SPD Committee again fully works on the partnership principle and with a similar composition as its predecessor committee.

Both programmes were discussed by the Assembly of the City of Prague in October 2002 (SPD Objective 2 was adopted, SPD Objective 3 was acknowledged), and in January 2003 they were authorised by the Government of the Czech Republic and preliminarily accepted by the European Commission's organs (they have both received an "Admissibility Letter").

Via the Single Programming Document for Objective 2, the Prague cohesion region is applying for financial support for selected projects from the European Regional Development Fund. The measures proposed in this document fulfil the basic purpose of Objective 2, i.e. "to support the economic and social conversion of regions which are facing structural problems". The document substantiates the city's requirements and the effectiveness and strategic nature of the utilisation of financial resources provided from EU funds.

The document also draws on strategic documents from the second half of the 1990s which were adopted by Prague's political representatives as a basic programme for the development of the city (Prague cohesion region). The main such underlying document is the Prague Strategic Plan, approved by the Prague Municipal Assembly on 25 May 2000, and in particular its implementation part for the period 2000 – 2006, which has become a starting point for the preparation of all subsequent national and regional documents for pre-accession negotiations with the EU that have been drafted to date.

In certain areas, however, the city is facing problems, and it is within its efforts to resolve these difficulties that it sees an opportunity to apply for EU assistance. These are, mainly, ecological and infrastructure problems, which exceed the financial capacity of the city due to their demanding nature, together with the adverse impact of certain new phenomena that amplify previously accumulated problems. This includes long-term deficiencies in the water management infrastructure or transport problems in certain areas of the city, together with related negative environmental impacts, which are already hindering the sound running of the city and, in the future, may become a source of serious problems of national importance.

In accordance with Council Regulation (EC) No. 1260/1999 (hereinafter referred to as the "Regulation") (Chapter II – Geographical Eligibility for the Priority Objectives, Article 4, Objective 2, Subsections 1 and 7), Prague may be considered to be an "urban area in difficulty", which clearly faces certain problems whose solutions are covered by the assistance provided from the Structural Funds.

In Prague there are also large areas with significantly sized populations which are either facing, or are threatened with, serious structural problems as a consequence of the ongoing restructuring of industry. In this sense, the conditions laid down in Article 4(9) of the Regulation are also met. As the problems affecting life in the City of Prague are inter-

connected, it is possible to identify several all-inclusive thematic areas with direct connection to the criteria enabling support from the EU Structural Funds.

The SPD Objective 2 was officially submitted to the European Commission on 27 February 2003. Following the admissibility check, the additional documents were provided and the SPD was considered to be admissible by the letter of 07 May 2003. The first round of negotiations took place in Brussels on 12 September 2003, based on the letter from Commissioner M. Barnier and the Negotiation Mandate prepared by the Commission services. A further discussion during the series of technical meetings led to the final agreement on the content of the SPD Objective 2 between the Czech authorities and the European Commission.

The main objective of SPD Objective 2 is to eliminate the most serious weaknesses and barriers to the development of the region in the selected support area, in particular by improving the city environment and developing the city's potential so that Prague becomes able to perform the roles expected of a dynamic capital city of a member state of the European Union. The programme has a strongly environmental focus, enabling in particular the implementation of measures that will prevent in the future the cataclysmic impacts of the floods to which Prague was exposed in August 2002. Therefore, the document is focused on three strategic priorities – "Regeneration and development of the city environment", "Building up the future prosperity of the selected area" and "Technical assistance", broken down into eight measures.

Priority 1 measures will focus on the following programmes: "Transport systems supporting the transformation of the city environment" (particularly the development of rail transport), "Regeneration of damaged and unsuitably used areas" and "Public infrastructure improving the quality of life in mainly housing estates". Priority 2 measures will focus on the following programmes: "Improving the quality of partnership between the public, private and non-profit sectors, science and research", "Support for small and medium-sized business; a favourable business environment" and "Development of strategic services in support of the information society in Prague".

The priorities and measures referred to in this document are in accord with the objectives and priorities of the National Development Plan, which was approved by the Government of the Czech Republic as a basic document for negotiations with the EU in the field of regional cohesion policy. At the same time, it draws on the long-term strategy for the development of the City of Prague, prepared by the Prague community on the principle of partnership and approved and implemented by the city's political representatives.

The goals for which the Prague cohesion region is applying for support are in full compliance with the principles for the utilisation of Structural Funds, particularly the principles of programming, complementarity and additionality.

The Prague region and the Czech state will bear the main financial responsibility for implementation of the measures proposed in this programme. This is why necessary national public resources are already being secured at both regional and governmental levels.

An exchange rate of € 1 = CZK 31 is used in the document for tentative conversion from the common currency, Euro.

1. BASIC DATA ON THE PRAGUE REGION

1.1 Prague – an important city within Central Europe

Since the beginning of the 1990s, the barriers have been gradually broken down across Europe in international relations between states, regions and cities of Europe's east and west, barriers that had been built up over the previous decades. In joining the newly formed geopolitical environment in Europe, Prague plays an exceptional role for the Czech Republic. Prague has an irreplaceable and multifaceted role in the ongoing European integration process. The anticipated EU membership is thus a great opportunity for the Czech Republic and its capital, too. This chance is, however, limited by time considerations and therefore requires speedy but thorough preparations. The integration of Prague into the European structures has therefore been given top priority in the Prague Strategic Plan.

Prague dominates the Czech Republic as the hub of its business life. It attracts international contacts and activity and is the key to the Czech Republic's international relations. Prague has an important role in creating and maintaining Czech identity and in providing new know-how. The development of these natural functions is in the interests of the whole of Czech society.

Prague must make its presence more strongly felt in the European chain of major cities. In the previous decade, it has not always been able to make the most of its location and cultural or political potential. Today, though, Prague still has a chance to assert itself among the metropolises of Central Europe and to find ways and means of utilising its specificities and advantages. Prague competes in particular with cities such as Vienna, Budapest, Munich, but also with Warsaw, Bratislava and Nuremberg. The most closely watched attributes of success include attraction of foreign investment, placement of international institutions and increased interest of tourists in such destinations.

POPULATION IN SELECTED CENTRAL EUROPEAN CITIES AND IN THE RELEVANT NUTS 2 REGIONS (IN THOUSANDS)

Table no. 1

City	Inhabitants	NUTS 2 region	Inhabitants
Prague	1,162	Prague	1,162
Munich	1,228	Oberbayern	4,138
Nuremberg	494	Mittelfranken	1,698
Vienna	1,550	Wien	1,550
Warsaw	1,707	Mazowieckie	5,128
Budapest	1,719	Közép-Magyarország	2,825
Bratislava	429	Bratislava region	599

Source: STR SURM MHMP

One of the preconditions for winning a good position in the “metropolis market” is providing for a favourable business environment, which is understood as a set of factors of stability and attractiveness for existing and new investors.

Comparison³ with principal competitors and other European cities indicates that Prague receives different marks with regard to different factors. Prague is extraordinarily attractive

³ An extensive periodical survey called the European Cities Monitor, carried out by one of the world's leading real estate agencies CUSHMAN & WAKEFIELD Healey & Baker, which in a fairly unbiased manner evaluates the positive and

for investors in terms of the competitiveness of the workforce and office space (value for money office space). Based on these criteria, Prague ranks first and second, respectively, in Europe. Budapest and Warsaw have received similar, though somewhat lower marks. However, these cities surpass cities such as Munich, Vienna or other Central European cities.

Investors' activities in Prague have been reflected in a considerable increase in availability of suitable office space. Prague ranks first among competing cities in this respect. Prague's position is also good in terms of the climate governments create for business through tax and the availability of financial incentives, which is comparable to that of Budapest or Warsaw. In respect of other criteria, Prague with Budapest and Warsaw is viewed as an average city, though somewhat lagging behind the cities located to the west. For example, extensive demand for skilled labour force in the recent years resulted in lower availability of certain professions in the current labour market.

In many respects, however, Prague as well as other cities in the "former Eastern bloc" fails to match the standard of Western European cities. This is in particular true in respect of links to European transport routes and internal transport, the quality of telecommunications, or freedom from pollution.

The improving overall position and attractiveness of Prague has been confirmed by the continuing interest of foreign entrepreneurs in placing their business or branch offices in Prague. Continuation of this interest largely depends on stabilisation of the existing positive position, and on improving the standard of those factors that have been identified as barriers of sorts. The measures being proposed by SPD Objective 2 are designed to resolve these issues and eliminate local barriers to business attractiveness.

Prague emphasises its favourable location, cultural tradition, relatively well-educated and flexible population and, above all, its uniqueness and beauty in the creation of its development strategy. Prague has the ability to offer values that are exceptional and unrepeatable both in European and worldwide terms. Prague is able to withstand the tough competition of the globalised world due to the uniqueness of its architectural and spiritual richness combined with its long tradition of a "melting pot" of cultures. Being able to take full advantage of this opportunity is based on one condition – the removal of various current obstacles and limitations presented by incomplete transport and technical infrastructure, an average level of communication and information connections (up until now, that is) and a population that is unprepared for what a more open city brings, complete with the bad reputation that certain Prague services have acquired over the years.

Prague has been left with a conflicting legacy from the past, especially from the second half of the 20th century. The almost completely directive policy of allocating resources and the central determining of key development trends after World War II had a marked influence on the city's development. Preferences connected with Prague's role as a centre of governing power led to an often headlong and disproportionate development of certain city functions and of the city area. A number of negative consequences ensuing from such pressures did not become fully evident until the last decade. One example may be the attempt of then communist government to counterbalance the sizeable "intellectual" component of the Prague population with political measures (and relevant economic instruments) by locating a disproportionate volume of production capacities within the city and thereby to artificially create some kind of "social balance". As a result, industrial facilities had to a considerable extent penetrated also the inner city and it is now very difficult to improve the environment in these city areas. Also, the large-scale public housing construction in Prague was in the past

negative aspects of the business environment and points out the areas to which resources and capacities should preferably be channelled in the future.

largely degraded by the production of as many housing blocks as possible without appropriate facilities and, above all, without job opportunities. This gave rise to large residential areas on the outskirts of Prague, which are now beginning to cause many operational and social problems for the city.

1.2 Prague – capital city and regional centre

The Prague NUTS 2 cohesion region is also a region at NUTS 3 level and the capital city of the Czech Republic. The role of the capital as the natural centre of politics, international relations, education, culture and economy is reflected in specific projects which must be implemented by Prague. Prague provides a base and related services for the headquarters of the state authorities, important institutions and companies that operate throughout the whole Czech Republic. Moreover, Prague is ready and willing to create favourable conditions to host new Czech and international institutions and activities, which will have a positive effect not only for Prague but also the nation as a whole.

Above all, Prague is the capital of the Czech Republic, the centre of the Prague region and home to over one million people. Providing for the needs of its residents and for the running of the city requires approaches and solutions that are extremely costly. Prague is, however, an integral part of the country's social, economic and settlement structure and is aware of its share of responsibility for the country's future development. It wants to be a pillar of support during the Czech Republic's transition to becoming a modern democratic state and wants to be a trustworthy partner to the other regions of the country.

Prague acknowledges the special relationship with its neighbouring Central Bohemia region (which is territorially identical with the Central Bohemia NUTS 2 region). The city for the surrounding region, Prague is an important economic and social base, represents an important source of job opportunities (80 000 people are commuters working in Prague, 70 % commuters in the region), is a centre of education and culture and offers ample shopping facilities and other features. In its turn, the Central Bohemia region provides recreational background for Prague inhabitants. Prague's co-operation with the Central Bohemia region is exemplified by the operation of the Prague Integrated Transport System. The intensity of commuting to Prague from the Central Bohemia region is high due to the fact that, beside national administrative and governmental authorities, numerous regional authorities with responsibilities concerning the Central Bohemia region are also located in the City of Prague.

The part of the Central Bohemia region which directly borders on Prague has also undergone intensive development and it is safe to assume that there will be further pressure and demand for more land available for building. Areas along roundabout motorway routes off the City of Prague limits have witnessed a marked rise in development of commercial and industrial zones and with it the risk of fragmentation and isolation. Despite a number of important investment projects within the Central Bohemia region – whether state-supported or implemented with capital investment from private, local and external sources – this region remains at an overall low economic level. This highly unfavourable situation, which has its roots in the past, has deteriorated during the last ten years of economic transformation in the Czech Republic (with the liquidation of large smelting and mining capacities). The adjacent cohesion region of Central Bohemia has the lowest national values in certain macro-economic indicators and the regional gross domestic product does not exceed 50 % of the EU average. This is why the territory of this region was put forward, in full extent, for support under Objective 1. It is from this perspective that the needs of the Prague region itself should also be assessed (see the reasons for the inclusion of the Prague cohesion region on the regional map

showing the intensity of public support pursuant to Article 87(3)(c) of the Amsterdam Treaty).

The quality and pace of further development in both regions will, therefore, depend largely on how the development plans of Prague and the Central Bohemia region (Central Bohemia cohesion region) are co-ordinated and how their joint investment solutions are implemented.

Further co-operation between both regions should focus on the construction of the Prague ring road (previous name was outer ring road) and the linked radial roads, solution to the transport services in the city and the neighbouring region, and on the development of rail infrastructure⁴. Future joint projects may include, for example, co-ordination of the development of retail and storage activities or new residential areas, implementation of the “green belt” around Prague, co-operation in drawing up policies, and joint activities in health care, social care, education and culture. Considerable potential for co-operation (in particular using the experience of foreign partners) exists in tourism. In general, however, co-operation between the two regions is underdeveloped, and the required institutional structures are missing (apart from the integrated transport system referred to above), which is manifested by the difficult co-ordination of certain material development plans.

1.3 Basic features of the region

1.3.1 Basic geographical data, administrative division and structure of settlement in the Prague region

Prague covers an area of 496 km², which is only 0.6 % of the territory of the Czech Republic, and has a population of 1.2 million, which represents almost 12 % of the national total.

The territory of Prague has a very dissected relief – the inner city lies in the extended valley of the river Vltava, which divides the city into two parts. The outer city is situated mainly on the surrounding, raised plateau. Such disparities in height between individual parts of the city are reflected in higher demands on solutions for transport and the linear structures of technical facilities (especially water management).

Prague is evenly surrounded by the Central Bohemia region, part of which is included in the Prague agglomeration. It lies almost in the geographical centre of Bohemia and also of Europe. It is favourably situated in relation to neighbouring countries – about 120 km from Germany and Poland, 150 km from Austria and about 250 km from Slovakia.

Since 2001, Prague has been newly divided into 22 administrative districts at NUTS 4 level. In terms of the self-governing arrangement of the city, it is divided into 57 autonomous boroughs (‘city parts’) with their own elected bodies (NUTS 5 level). These boroughs are completely non-homogeneous. A number of them were established in connection with the city’s gradual incorporation of surrounding communities, mostly of a rural type. They vary according to the degree of urbanisation, population density, quality of technical infrastructure and the socio-economic conditions of life for inhabitants.

⁴ See the “Memorandum on Co-operation in Respect of Transport Services and Development of Rail Infrastructure in the Prague Metropolitan Region and on Co-operation in Developing the Integrated Transport System for the Central Bohemia Region and the City of Prague Region” of 2002, and the “Memorandum on Co-operation in Resolving the Issue of the Prague Ring Road and the Linked Radial Roads for the Central Bohemia Region and the City of Prague Region” of 2003. Both documents were signed by representatives of the City of Prague and the Central Bohemia Region together with the Czech Ministry of Transport.

Only part of these outlying areas of Prague is utilised for the construction of new housing or of production and service capacities (logistical centres). The remaining areas, unless environmentally protected or with recreational functions, are becoming problematic from the perspective of citywide development. These areas represent a fifth of the territory of the region. In many cases, there are increasing difficulties due to the fact that poor quality urban areas border on municipalities with low economic potential (see previous text on the Central Bohemia region).

LAND USE IN PRAGUE (balance of functional areas)

Table no. 2

	area (in km ²)	share (in %)
residential and mixed	94.1	19.0
civic amenities	13.0	2.6
production, services	24.5	4.9
agriculture (arable land, cultivation areas)	138.5	27.9
transport and technical infrastructure	47.0	9.5
sports, recreation	5.5	1.1
forests	51.2	10.3
natural landscape, water bodies	88.9	17.9
other areas	33.5	6.7
total	496.2	100.0

Source: CDAS PCH, City of Prague 1999 Master Plan

The large number of boroughs often has an unfavourable influence on the effectiveness of the city administration. Nevertheless, political (elected) and administrative bodies at citywide level have succeeded in drawing up and approving fundamental citywide concept documents for programming (see strategic and master plans below). Furthermore, they have adopted citywide, non-discriminatory legislative and governance measures and implemented activities and investment operations which pursue, above all, the interests of the entire city and region.

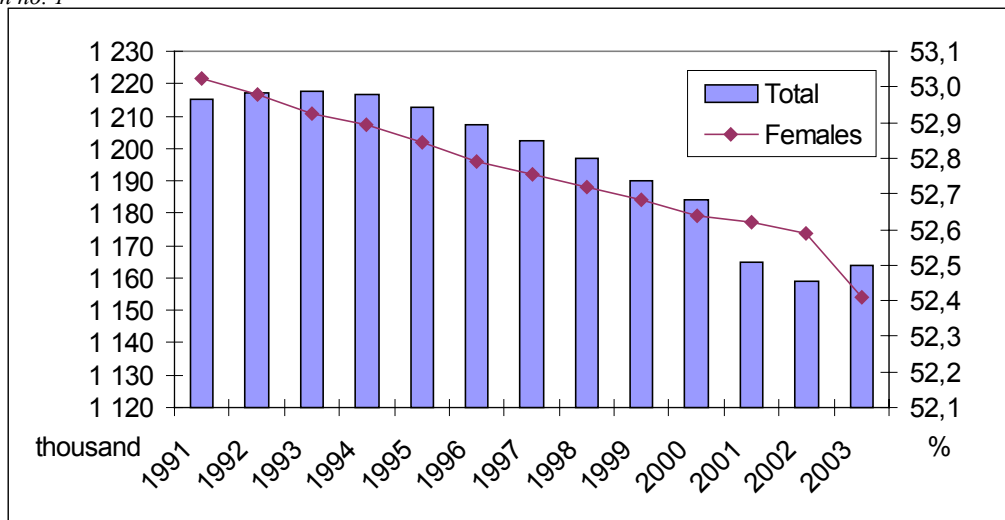
1.3.2 Demographic indicators and the social environment

The number of permanent residents in Prague is about 1.16 million. In addition, there are 110,000 daily commuters of the whole area of the Czech Republic, 60,000 foreigners with permanent or temporary residence permits, over 30,000 students who travel to school or are accommodated in Prague, and more than 140,000 people who are present in the capital on a daily basis for whatever reason (foreign and Czech visitors, people on business trips, etc., including an estimated 10,000 foreigners without residence permits). Currently, on any given day in Prague, there are about 1.5 million people.

The number of permanent residents of Prague has a decreasing tendency since 1993, but has somewhat stabilised in the past three years. Nevertheless, further decrease in the number of inhabitants is expected in the long term. Prague's population is characterised by a larger percentage of women (53 %).

DEVELOPMENT OF PRAGUE'S POPULATION IN THE YEARS 1991 TO 2003

Graph no. 1

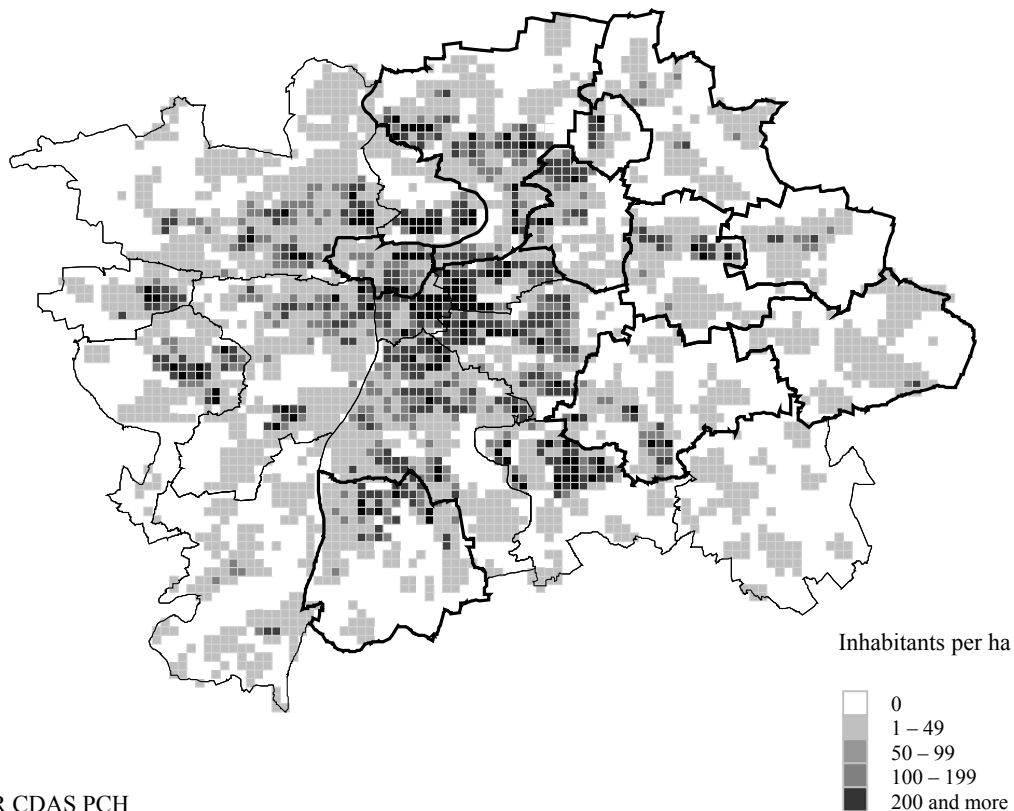


Source: CSO, CDAS PCH

As the only Czech city with a population of over a million, Prague has the greatest concentration of urban residents in the country. This concentration, however, is not evenly distributed across the city's territory. The population density in the central part of Prague and in housing estates exceeds 10,000 per km², while other parts have retained a suburban character with a population density of less than 200 per km².

DENSITY OF POPULATION IN PRAGUE

Chart no. 1



Source: STR CDAS PCH

The unfavourable national population trend has developed even more intensively in Prague. A typical feature of this is the marked representation of higher age categories, particularly older women mostly living alone. The group of inhabitants in the over 60 category amounts to 21 % and the average age of 41.1 is higher than in any other region in the Czech Republic. The number and proportion of children (14 %) has been falling for a long time, and more women are delaying motherhood until a later age. These trends are forecast to continue until at least 2010. The group of inhabitants in the over 60 category will continue growing (increasing by 4 to 5 %), while the proportion of children is set to keep falling.

In the last decade in Prague, there has been a marked increase in the number of foreign nationals with temporary or permanent residency permits (60,000 in 2001). Ukrainians and Russians (almost 25,000) constitute the largest group, followed by Slovaks (10,000), Vietnamese, Chinese, inhabitants of former Yugoslavia, and people from the USA.

In terms of nationality, the permanent residents of Prague are relatively homogeneous; according to the 2001 census, 93.4 % are Czech. Slovaks (1.6 %) constitute another significant national group. Other national groups form only a very small proportion of the city population. In the course of the 2001 census, 653 Prague inhabitants claimed Roma nationality, but expert estimates refer to some twenty to twenty-five thousand Roma living in Prague. The most numerous Roma communities live in the city boroughs Prague 3, Prague 4, Prague 5 and Prague 8. In general, national or ethnic minorities are not conspicuously territorially concentrated, and no national or ethnic segregation occurs.

The decline of the permanent population is affecting the bulk of the inner city, while outlying parts have seen growth under the impact of new housing construction. Until 1997, the natural decline in the city population was offset by migration. In the year 2000, however, 1,800 more people moved out of the city than those who moved in. Not even the growing number of foreigners and migrants from other areas of the state has done anything to prevent the overall decline. In the last few years, what used to be the greatest source of migration – the Central Bohemia region – has, conversely, become a destination area for a large group of Prague inhabitants who have set up residence there. The main reason for this is the favourable price and sufficient availability of building plots in this region. The largest development is occurring outside the regional hinterland of Prague and in communities with good transport connections to the city. In certain localities, direct links are forming between the urbanised areas of both regions which underline the increasingly high level of interconnectedness and, hence, the necessity for joint solutions of certain problems.

In the last ten years, there has been a marked stratification among Prague residents in terms of income level. In the period between 1996-2001 the most considerably increasing wages appeared in the financial and IT area. In 2001 the rate reached 80 % (almost 100 %) of the average salary in Prague. The index rate of other sectors makes 176 % in industry, 188 % building industry, 243 % health care, and 270 % education. In the future the gap between the rich and the poor is expected to increase as well as the diversification of middle class. There is already a growing tendency for people from high-income brackets to move to localities with better standards of housing. The emergence of above-standard residential areas, in conjunction with the existence of localities with social problems, points to the danger of social segregation of part of the city's population.

The crime rate in Prague is comparable with that of similar European metropolises. For a long time, the number of criminal acts in the capital has been the highest in the Czech Republic (9 criminal acts per 100 inhabitants of Prague), particularly in areas with the greatest concentration of inhabitants. An increasing proportion of crime has been recorded among

foreigners. Criminal acts of increasing brutality are becoming more prevalent, particularly organised forms of violence.

The number of people threatened with social exclusion is on the increase. On the labour market, this particularly concerns people with health problems and physical handicaps, people of pre-retirement age and women looking after young children. In general, members of ethnic minorities, particularly Romas, people with criminal records, drug addicts and the homeless are all threatened with social exclusion. There are no official records for such groups, although expert estimates have been made in certain cases; the number of homeless people, for example, is put at around 5,000. To date, support for those threatened with social exclusion is limited to sectional projects.

Issues relating to human resources in the Prague region in respect of employment policy, education, social integration and equal opportunities are the main subject of SPD Objective 3 which is being drawn up for Prague simultaneously. In the analytic and programming section of SPD Objective 2, these topics are therefore covered only to an extent that corresponds to the measures and specific projects which, in terms of methodology, pertain to SPD Objective 2. The activities relating to both documents are being co-ordinated. Certain measures in Chapter 5 of SPD Objective 2, therefore, also contain information on specific priorities or programmes connected with projects that have been put forward for support from the Structural Funds under Objective 3.

2. ANALYSIS OF THE ECONOMIC AND SOCIAL SITUATION OF THE REGION

For the sake of completeness, the analysis specified in this chapter covers the entire territory of the Prague cohesion region. At the same time, it reflects the close linkages between the territory selected for support from EU resources and other areas of the city-region – linkages that must be respected when selecting activities and projects. A detailed analysis relating to the area proposed for support under SPD Objective 2 is featured in Chapter 4.

2.1 The region's performance and the sectoral structure of the economy

The Prague region generates about 25 % of the national GDP and attracts approximately 20 % of all investment into the Czech Republic. While GDP in the Czech Republic is almost two-thirds that of the EU average (only 60 % in the year 2000), the volume of regional per capita GDP in Prague (based on purchasing power parity) exceeds the EU average by one third (132 % in the year 2000). However, this outcome is probably influenced by certain distorting factors, such as the large number of registrations of business addresses in Prague with extensive activities outside the region. The actual level of Prague's GDP is evidently several percentage points lower, although it remains distinctly higher than the average for the EU15 .

In the last three to four years, the performance of the national economy has also been reflected in the specific, strongly differentiated sectoral structure of the Prague economy. One of the characteristic features of the development of Prague's economic base is the long-term expansion of the service sector and the decline in the manufacturing industries.

SECTORAL PERFORMANCE FIGURES IN 2001 (gross added value)

Table no. 3

Sector	Prague's share in sectoral performance figures within the Czech Republic (in %)	Share in sectoral performance figures (in %)	
		in Prague	in the Czech Republic
agriculture, forestry, extraction of raw materials	0,9	0,2	5,5
processing industry	7,8	8,6	27,5
production and distribution of electricity, heat, water	13,7	2,2	4,0
construction	22,5	6,4	7,1
business, repairs	37,9	22,5	14,8
catering, accommodation	48,7	4,3	2,2
transport, communications	30,1	9,9	8,2
finance, insurance	60,2	8,7	3,6
commercial services, science and research	50,0	24,3	12,1
public administration, education, health, social activities, other public, social and personal services	21,4	12,9	15,0
total	24,9	100,0	100,0

Source: CSO

Tertiary sectors which, due to their capacity insufficiency, were developing extensively in the course of the 1990s, currently represent more than 80 % of generated GDP and provide about three quarters of all employment in Prague, which is considerably more than the tertiary sphere's national share. On the other hand, the share of manufacturing sectors in the generation of GDP and employment in Prague is lower on a national scale – particularly in the case of industry, whose share in Prague represents a mere third of the national average. The exception is construction, whose share in Prague corresponds to the national average.

Industry has undergone significant transformations in the course of the last decade. Its share in employment and performance figures within the Prague economy has considerably fallen and there have been considerable changes to its structure. About 90 % of Prague industry now belongs to the private sector. There has been fundamental sectoral transformation and changes in the manufacturing base. The largest share in earnings and the workforce is represented by the food industry. The position of heavy engineering has weakened while the printing and publishing industries have strengthened. The market share of specialised firms in the fields of electrical engineering, chemicals and pharmaceuticals and the production of transport means has remained strong.

The criterion for the utilisation of the Structural Funds referred to in Article 4(5)(c) of Regulation No. 1260/1999 is thus met by the permanent fall in industry's share in the total employment of the region, in conjunction with a marked decline in the number of permanent residents in Prague working in industry. This development is further underlined by value added indicators, with industry's year-on-year share having dropped by one percentage point; the stagnation of this share is currently evident.

DEVELOPMENT OF SELECTED INDUSTRIAL INDICATORS IN 1997 - 2001

Table no. 4

Indicator	Year			
	1997	1998	1999	2001
Industrial employment				
of Prague residents (number of people in thousands) ¹	88.0	83.0	75.9	74.1
in enterprises with over 20 employees (number of people in thousands) ²	80.0	77.5	68.4	63.4
share in total employment (in %) ²	16.1	16.0	14.4	13.6
Industrial output				
share of gross added value (in %)	12.8	11.6	10.6	10.8

¹ of residents, ² concerning enterprises with 20 and more employees

Source: CSO

Aside from the positive consequences of industrial transformation, particularly the decline in heavy industry, this process is accompanied by certain problems. One of the main sources of difficulty is the abandonment and deterioration of manufacturing sites and operational areas – the emergence of "brownfields". The restructuring of Prague industry has most affected the traditional industrial parts of the city (Prague 8 and 9), which meet the conditions for support laid down in Article 4(9) of Regulation No. 1260/1999 in terms of their area and population.

At the beginning of the 1990s, for example, most of the activities (with more than 15,000 employees) of the largest engineering enterprise (ČKD Praha) were in the Prague 9 borough; at present, only about 10 % of the original number of employees are still of there. Even

though some of the operational areas have been liquidated or used for other city operations, the majority of the areas here remain deserted or are unsuitably used and on a short-term basis and constitute a physical barrier hindering development. Similar problems are presented, for example, by the site of a former municipal waste incinerator, former chemical production plants etc.

The transformation process has had an impact on the development of the structure of the service sector. For example, development of the private sector resulted in an increase in the capacity of certain commercial services – especially advertising, marketing, consultancy, or logistics. The finance and insurance sector developed a completely new structure based on the entry of foreign capital, which currently has overall majority ownership.

One part of the service sector that deserves special attention is tourism. Since 1990, tourism has seen a 300 % increase in Prague, becoming one of the most dynamic sectors and a cornerstone of the city's economic development. This development has come about due to the extensive provision of missing infrastructure and a fundamental strengthening of foreign capital interests in this area. In terms of intensity and benefits for the development of individual parts of the city, however, tourism operations are distributed very unevenly, focusing mainly on the historical core of the city, which creates a number of serious operational, social and environmental problems. As regards accommodation capacity (almost 75,000 beds, out of which 51,000 in hotels and family hotels) and number of overnight stays (8.1 million in 2001), Prague is now classed as a highly attractive European tourist destination. More than three quarters of all visitors come from abroad. The global trend of stagnation in the tourist industry could, in respect of Prague, be favourably influenced by simplification of the passport procedure after the Czech Republic's accession to the EU, as well as planned large-scale projects of connection to the continental transport system (high-speed railroad tracks, increased capacity of the Prague airport etc.), some of which are co-financed from EU resources.

Income from tourism in Prague (in terms of gross added value) constitutes almost half of the national output in the hotel and restaurant sectors (€ 700 million in 2001). However, there is a long-term gap between the total revenue raised from tourism in Prague and the benefits for the city budget, which receives back only about € 6.5 million in the form of local taxes.

The small and medium-sized enterprise sector

Although Prague as a whole has achieved favourable economic indicators, it is possible to identify a number of weak spots, which – currently and in the medium term – threaten the level of its competitiveness. It should be noted that the consequences of the decades-long absence of a private sector, management almost completely based on directives and irrational centralisation of manufacturing and service bases have persisted to this day. For many years, there was no small business sector at all; many present-day owners and managers of small and medium-sized enterprises (“SMEs”) do not have a firmly rooted “survival instinct” and often rely on a self-taught system of trial and error in their decision-making. In the context of the business sector, there is still a significant lack of internal communication, which in other countries, particularly in small and medium-sized business, is based on tradition, long-established contacts and the exchange of information.

Despite these problems, transformation has been completed at an extraordinarily fast pace in the past decade and a prosperous sector of small and medium-sized enterprise has been established (as an integral whole), which has become a significant component of the economic base of the Prague cohesion region.

The rapid increase in the number of registered business entities in late 1990s confirms the attraction of small-scale business (trade), but, on the other hand, reflected also the lack of experience and “immaturity” of the competitive environment. This has been to a greater extent manifested by winding up failing small businesses that, however, are being replaced by more stable business entities. Small and medium-sized enterprises become involved in all sectors, in many of which they play a lead role.

The following table shows that the growth in the number of business entities, in particular in the field of small and medium-sized enterprise, continues after 2000.

NUMBER OF REGISTERED BUSINESS ENTITIES IN PRAGUE (in thousand)

Table no. 5

Year	1996	1998	2000	2002	June 2003
Number of entities	259.3	315.7	375.3	394.7	405.3

Source: Register of business entities, CSO

Businesses with up to 250 employees (SMEs) represent almost 100 % of the businesses with registered offices in Prague. Only 430 large businesses with 250 or more employees are registered in Prague. Nevertheless, these large companies represent approximately 30 % of total employment figures in Prague, which means, on the other hand, that the SME sector has already exceeded the level of 2/3 of employment in Prague.⁵

SMEs IN PRAGUE BY THE NUMBER OF EMPLOYEES, as at 30 June 2003 (in thousand)

Table no. 6

Number of employees	Number of entities
not indicated*	104,142
0	250,200
1 - 9	40,036
10 - 49	8,595
50 - 249	1,927
Total	404,900

* as a rule, business categorised as “micro” companies (as per EU classification)

Source: Register of business entities, CSO

Prague-based businesses, as well as the entire SME sector in the Czech Republic, are facing certain barriers and difficulties, many of which can only be solved at the legislative or executive levels (tax issues, passivity of the banking sector, complexity of legislation). Local administrative authorities are only able to contribute to their solution in a partial, often indirect manner. There, however, exist problems that can be solved at the regional level and therefore should be the subject of projects and activities co-financed from the EU Structural

⁵ The above-average number of business entities is due to the specific situation where a large number of individuals in the Czech Republic generate second income as licensed sole proprietors, to the possibility of registering several businesses in the name of a single individual, to the Prague population’s more intensive activity in this sector, and partly also due to the fact that Prague serves as domicile for firms carrying out activities prevalently outside the Prague limits, which is attributable to the fact that Prague generally is considered a “good address” (18 % of all business entities registered in the Czech Republic have domicile in Prague).

Funds. One of the measures deals directly with the assistance to small and medium-sized enterprise, and its purpose is to accomplish the fundamental principles of the European Charter for Small Enterprises.

Innovation capacities

Although sectors and branches of the Prague economic base are beginning to be profiled in accordance with the structures of the bulk of the major cities of Western Europe, it is necessary that the Prague economy should immediately implement other measures with a view to improving its competitiveness. The growth in labour productivity is conditional upon a safe, transparent and attractive business environment for bringing in new investment and know-how and upon the speedy transfer of efficient technologies. An irreplaceable role must be played by the business sector and organisations in the fields of science, research and development, which should assume their share of responsibility for the development of the city and the growth of Prague's role as an innovation centre for the whole country.

Prague is the Czech Republic's centre of learning. Apart from a great number of primary and secondary schools and colleges, eight public universities, one state university and sixteen private schools of non-university type operated in Prague in the academic year of 2002/2003. The science capacity of Prague-based universities, together with the high number of young scientists, graduates and students, constitutes an excellent base for future technological development.

Prague-based universities (in particular Charles University, the Czech Technical University, the Institute of Chemical Technology and the Czech University of Agriculture) together with non-state research institutes and institutes of the Academy of Sciences of the Czech Republic represent important centres of national research. These centres' activities focus primarily on mathematics, information science and physics, Earth sciences, chemistry, research of materials, biology, medicine, ecology, history, economics, humanities and social sciences. Sectoral research institutes have undergone significant change in the recent years. Many of them have been privatised. There has been a reduction in their number and a substantial reduction in the number of their staff. Nonetheless, it can be noted that the remaining state-owned research institutes and newly established private research institutes still constitute an important scientific potential of the City of Prague. As regards the ownership structure, 45 % of research institutes are privately owned while 55 % are state-owned.

Engaged in the field of development of innovation and technology transfer are professional organisations (such as the Association of Innovative Business or the Association of Research Organisations), with their seat in Prague. Thus, Prague plays an important role at the national level in development of innovations, technology transfer, and co-operation of universities, research organisations and the business sector.

COMPARISON OF RESEARCH AND DEVELOPMENT ORGANISATIONS IN PRAGUE AND IN THE CZECH REPUBLIC

Table no. 7

Type of organisation	Number in the Czech Republic	Number in Prague	Prague's share in the Czech Republic
Academy of Sciences of the Czech Republic (institutes)	60	41	68 %
Research institutes	114	47	41 %
Universities	55	25	45 %
Science parks	24	4	17 %

Source: STR CDAS PCH based on data of CSO, AS, MEYS

Prague is not only the Czech Republic's centre of education, learning and research, but is also its economic centre. The relations between industry and research institutions must become the pillar of development of a "new economy". Research organisations subsidised from public resources, including in particular the Prague-based universities and the Academy of Sciences of the Czech Republic, should play a critical role in the economic and social development of the Prague agglomeration and the Czech Republic as a whole.

No efficient system of transfer of research and development findings into practice has been established yet. The existing environment does not encourage co-operation between science institutes, and mechanisms have not as yet been created encouraging human resource development in this field of practice. In this context, in particular the immense scientific and educational potential of the Prague-based universities could and should be utilised to a greater extent.

Universities realise the necessity of their assuming responsibility for utilisation of the results of research and development in practice, and their responsibility for the future competitiveness of economy. The establishment of the Business and Innovation Centre of the Czech Technical University (BIC CVUT) could serve as one of the few examples. The BIC offers, among other things, suitable premises and services to new innovation businesses (currently with eight firms based there). The Chamber of Commerce of the City of Prague is also involved in its activities. Another example is the Technology Centre of the Academy of Sciences of the Czech Republic. The Technology Centre has operated, since 1994, an incubator focussed on high-tech small enterprises. Operations of the 21 enterprises established in the incubator by 31 December 2002 have a direct link to the Academy's research projects. However, Prague is still lacking in sufficient capacities of high-technology incubators and large science and technology parks where innovation firms created in these incubators could further develop.

Recently, there has been an effort towards extending co-operation between universities and the Academy of Sciences. This co-operation can be said to be more intensive in the field of training new experts rather than in actual integration in research and development. There also exist problems related to transfers of employees between universities, the Academy of Sciences, and industrial companies. The managerial staffs of research institutions lack motivation to encourage and support the establishment of new technology firms by young scientific workers.

A problem of particular gravity came about with the collapse of a large part of the applied research base, which was previously secured by large enterprises and state institutions. SMEs, in particular, are seeking partners in the field of innovation plans, ranging from the obtaining of the most basic information through to highly structured co-operation with the research and development base. It is therefore necessary to create networks within the business sector as well as ties between universities and the science-research capacities of the Czech Academy of Science. These are also reasons why Prague is applying for assistance from the financial resources of the Structural Funds.

The above information has also been confirmed by the results of the first stage of the BRIS (Bohemian Regional Innovation Strategy) project, supported by the European Commission, whose output included an analysis of the SME sector and the infrastructure necessary for the support of innovation. It has been confirmed that, although Prague has at its disposal many entities that may facilitate the development of the innovation infrastructure, there do exist certain serious shortcomings in its utilisation – e.g., barriers between academic and industrial science, low influence of regulatory measures and projects on the development of innovation,

and the weak role of the banking sector. In general, the regional innovation infrastructure is still in its early stages, and its necessary links and ties are only now taking shape.

These shortcomings are very strongly felt by the SME sector. This has been confirmed by one of the principal documents drafted as part of the BRIS project for formulating the region's innovation strategy, called the Survey of the Needs of SME's in the Prague Region in the Field of Innovation. This survey has demonstrated that the current insufficient activity on both sides (research and implementation) is due, on the entrepreneurial side, to certain distrust in utilisation of the results of R&D capacities, and to the increasing research-related costs. Most criticism is aimed at situations where outputs from research are of no practical use (i.e., are not completed to a stage where the result/outcome is usable in the market). On the other hand, R&D institutions are of the opinion that the business sector is unable to sufficiently clearly formulate its needs.

The results also highlight insufficient access of SMEs to information on available support and forms of assistance, whether financial, consultancy, marketing or otherwise in the field of innovation processes.

However, small and medium-sized enterprises view co-operation with R&D as an opportunity for future successful development and deem it an indispensable part of their innovating efforts. The priorities indicated by SMEs in this respect include their intent to make use of EU subsidies and support programmes in the years to come, e.g. in order to increase the level of external capacities in relation to:

- information on the condition of technology, development of technologies etc.,
- support in resolving technical and technology-related problems,
- support in securing quality system certification under ISO 9001, 9002
- support in drafting business plans.

The above examples may serve as cornerstones in building up a new quality of co-operation between SMEs and R&D. They represent the fundamental standard instruments of innovative progress that may be transformed into specific projects under SPD Objective 2.

2.2 Human resources and the labour market

Employment and its sectoral structure

Prague is the largest regional labour market in the Czech Republic; with more than 770,000 employees, it accounts for 15 % of national employment figures. This amount includes over 110,000 commuters and approximately 50,000 foreigners with permanent or temporary residence permits. These two groups of "outsiders" represent almost 20 % of employees in the territory of Prague. In the year 2003, there were over 80,000 people commuting to Prague from Central Bohemia, which accounts more than 10 % of the city's employment figures and underlines the importance of the Prague labour market for utilising the workforce from the Central Bohemia region.

Most persons in Prague are employed in business. Beside that, men are employed mostly in the processing industry, construction, commercial services, and in transport and telecommunications. Many women, too, are employed in business and commercial services, but the typically "feminine" sectors include schools, health care, and in Prague also the public administration.

SECTORAL STRUCTURE OF EMPLOYMENT IN PRAGUE AND THE CZECH REPUBLIC

Table no. 8

Sector	Prague			Czech Republic		
	Females	Males	Total	Females	Males	Total
agriculture, forestry	0.7	0.4	0.5	3.4	5.8	4.8
processing industry	8.4	15.5	12.2	25.7	34.5	30.7
construction	2.5	14.5	8.9	1.8	14.4	8.9
business, repairs	16.2	15.4	15.8	16.0	10.7	13.0
catering, accommodation	5.7	5.2	5.4	4.6	2.8	3.6
transport, communications	6.2	10.4	8.5	5.3	9.5	7.7
finance, insurance	5.6	4.2	4.9	2.7	1.5	2.0
commercial services	12.0	13.0	12.5	5.9	5.5	5.7
public administration	9.1	6.3	7.6	6.8	6.9	6.8
education	12.4	3.8	7.8	11.3	2.8	6.5
health	12.2	3.7	7.7	11.6	2.4	6.4
others	9.0	7.5	8.2	4.9	3.2	3.9
total	100.0	100.0	100.0	100.0	100.0	100.0

Source: CSO – Labour force sample survey, 2002 annual average

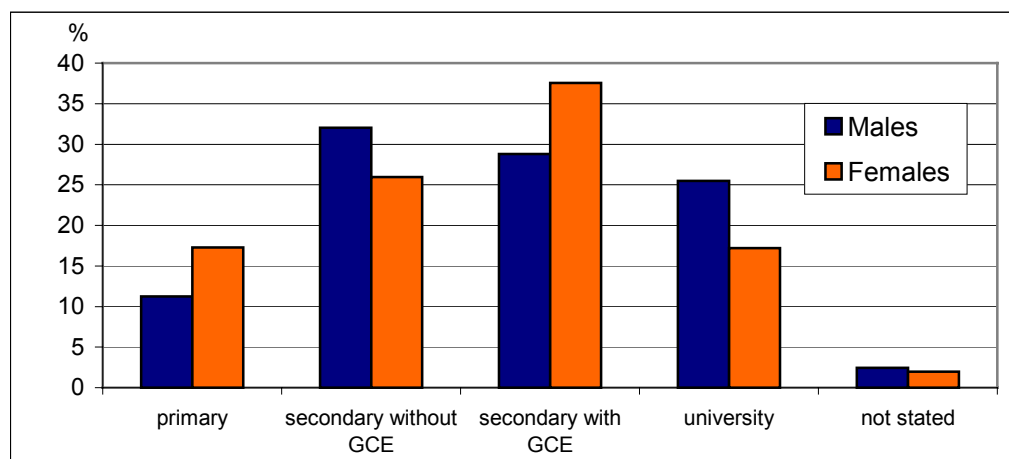
The transformation changes after 1989 have been reflected primarily in a reduction in the number of employees in industrial enterprises (a decline since 1990 of more than 70,000 employees, i.e. 40 %!). On the other hand, the development of new operations corresponding to new demand and to the extent thereof has seen a strengthening of employment figures in certain sectors. For example, the information sector, particularly telecommunications, has expanded, and the number of people working in finance has doubled. Improvements in the standard of living, sales capacities, tourism activities and other service-based operations have also seen an increase in the number of employees (the trade, hotel and restaurant sectors, for example, have recorded an increase of over 50 %).

Features of the workforce

Prague's workforce is much more highly skilled than that of other regions in the Czech Republic and, in addition, has traditional skills and an aptitude for professional flexibility. This creates a good starting point with a view to increasing the competitiveness and dynamism of the city's economic base. (The share of inhabitants above 15 years of age with complete secondary education amounts to 33.5 %, while university graduates represent 21.1 %.) One-third of men in Prague have vocational training, almost one-third have complete secondary education, and one-fourth have university education. More than one-third of women have complete secondary education, one-fourth have vocational training, and one-sixth of women have university education.

EDUCATIONAL STRUCTURE OF PRAGUE'S INHABITANTS ABOVE 15 YEARS OF AGE

Graph no. 2



Source: CSO – 2001 Census

The structure of employment corresponds to the educational structure of Prague's inhabitants. The largest number of employees work as technical workers, health and teaching staff, but also as scientists and intellectual specialists. Further, one-fifth of men work as craftsmen, skilled manufacturers, processors or repairmen, and one-fifth of women work as lower administration clerks.

SHARE IN THE EMPLOYMENT GROUPS BY CLASSIFICATION IN PRAGUE AND IN THE CZECH REPUBLIC (in %)

Table no. 9

Employment classification	Prague			Czech Republic		
	Females	Males	Total	Females	Males	Total
legislators, executives and managerial staff	5.5	12.0	9.0	3.8	8.3	6.4
scientists and intellectual specialists	22.8	21.6	22.1	12.1	8.8	10.2
technicians, health and teaching staff	28.3	22.4	25.1	23.0	16.2	19.2
clerical staff (officials)	18.8	3.3	10.5	15.2	3.4	8.5
service and retail staff	15.1	9.8	12.3	18.9	7.6	12.5
skilled workers in agriculture and forestry	0.3	0.4	0.4	1.8	2.0	1.9
craftsmen and skilled manufacturers, repairers	1.9	18.8	11.0	6.5	29.6	19.6
machine and equipment operators	0.9	7.7	4.5	7.6	17.5	13.2
assistant and unskilled workers	6.4	3.3	4.7	10.9	5.2	7.7
members of the armed forces	0.0	0.6	0.3	0.0	1.3	0.7
not stated	0.1	0.2	0.2	0.0	0.1	0.1
total	100.0	100.0	100.0	100.0	100.0	100.0

Source: CSO – Labour force sample survey, 2002 annual average

The specific role of the city is underlined particularly by the disparity between Prague and the Czech Republic in the first three groups (“intellectual” professionals). In the interests of Prague (and the Czech Republic as a whole) it is necessary to at least maintain the share of high school and university graduates at a level that is standard for municipalities abroad with a similar functional structure. Statistics further indicate that 10,805 persons work in research and development in Prague (recalculated at full-time equivalent), which represents 41 % of the whole Czech Republic. However, the running of the city also requires workers from other professions of which there is such a shortage that it is largely necessary to rely on local and foreign migration (especially in construction, retail and health care).

The labour market and unemployment

Due to the wide range of available professions, the Prague labour market has managed to absorb almost all the workforce that was released during the transformation process as well as newcomers (unemployment was around 1 % in the first half of the 1990s). In the last few years, unemployment trends in Prague have developed in a similar way to the national average, although fluctuating at around half of the national rate. Unemployment rate for women in Prague is, like in the whole Czech Republic, significantly higher than unemployment figures for men. At the end of 2002, the share of unemployed women in the total number of unemployed persons registered by labour authorities in Prague amounted to 52.6 % (50.0 % in the Czech Republic).

ILO GENERAL UNEMPLOYMENT RATE (in %)

Table no. 10

Year	Prague			Czech Republic		
	Females	Males	Total	Females	Males	Total
1997	6,9	2,2	2,7	6,9	4,2	5,4
1998	4,3	2,9	3,6	9,3	5,7	7,3
1999	4,7	3,7	4,2	10,7	7,6	9,0
2000	5,2	3,3	4,2	10,2	6,8	8,3
2001	3,9	3,3	3,6	9,6	6,5	7,9
2002	5,8	2,4	4,0	9,2	5,7	7,3

Source: CSO – Labour force sample survey, fourth quarter

The considerably lower level of unemployment in comparison with other regions in the Czech Republic, however, fails to reveal certain serious aspects relating to supply and demand on the labour market in Prague. Relative data obscure certain unfavourable facts which, however, are clear from data that are expressed in absolute terms, which is also the case with inter-regional comparisons. Serious problems are in long-term (lasting for more than one year) and repeated unemployment. The share of long-term registered job seekers in the total number of unemployed persons in Prague at the end of 2002 represented 23.3 % (37.2 % in the Czech Republic). Long term job seekers are characterised by a low level of education.

In terms of age structure, the highest unemployment rate in Prague, as well as in the whole Czech Republic, is among young people up to 29 years of age, mostly women that are in an age of anticipated establishment of a family, or already are mothers with small children (the unemployment rate in this group is further increased due to the growing share of economically inactive persons that study or prepare for occupation). Prague also has a high unemployment rate of persons above 60 years of age, once again mostly females. However,

unemployment rate significantly increases from 50 years of age as employment of such persons largely depends on skills and adaptability to current needs of the labour market. At the end of 2002, the share of persons older than 50 years in the total number of unemployed represented 23.8 % (19.4 % in the Czech Republic).

ILO GENERAL UNEMPLOYMENT RATE BY AGE (in %)

Table no. 11

Age category	Prague			Czech Republic		
	Females	Males	Total	Females	Males	Total
15 - 29	8.0	4.5	6.2	14.7	9.1	11.4
30 - 44	4.9	1.5	3.1	8.4	4.5	6.3
45 - 59	5.2	1.6	3.4	6.8	4.6	5.6
60 +	6.6	4.2	5.1	5.4	3.1	3.9
total	5.8	2.4	4.0	9.2	5.7	7.3

Source: CSO – Labour force sample survey, fourth quarter 2002

In terms of education, the highest unemployment rate is among persons with primary education, representing 20.1 % of unemployed at the end of 2002 (31.5 % in the Czech Republic). With increasing level of education, the unemployment rate decreases. Nevertheless, unemployment of graduates remains a serious problem, as this category is insufficiently motivated to seek job opportunities on their own. At the end of 2002, employment authorities in Prague registered 2,139 young persons and graduates, standing for 9.0 % of all registered unemployed in Prague (11.6 % in the Czech Republic).

ILO GENERAL UNEMPLOYMENT RATE BY EDUCATION (in %)

Table no. 12

Education	Prague			Czech Republic		
	Females	Males	Total	Females	Males	Total
primary	13.8	24.6	17.2	18.8	24.3	21
secondary without GCSE	8.1	3.2	5.1	11.6	5.5	7.7
secondary with GCSE	6.1	1.6	4.2	6.4	4	5.3
university	1.1	1.1	1.1	2.7	2.1	2.3
total	5.8	2.4	4.0	9.2	5.7	7.3

Source: CSO – Labour force sample survey, fourth quarter 2002

In terms of the labour market, the main groups at risk include people with low level of education, with insufficient motivation to increase their education, with insufficiently motivating social background, or with health problems. A total of 2,866 people (12.1 % of registered unemployed) with limited working ability were registered with the employment offices in Prague by the end of the year 2002 (at the same time, the labour market offered only 360 available jobs for such people). Notwithstanding the Act on Employment, specifying concrete tools of active employment policy, some groups of people experience more difficulty than others in asserting themselves in the labour market.

The inequality on the market is a result of prejudices in respect of different roles of each gender in the society. Though most women at present choose career as their priority, there are limited means of providing housework services for families. This problem is important to solve for women in leading positions as well as women who start their career at present and enter the financial and production market. Childcare is also an issue.

Therefore, along with resolving the principal issue of equality of women and men in the labour market, the measures (concrete projects) will need to address the issue of equal opportunities for all potentially disadvantaged groups of inhabitants.

At the same time, it can be said that pressures on the workforce, linked to a rise in unemployment, have significantly bolstered the willingness of some inhabitants to look for available places and to take up employment. A contributory factor here is the openness of the market, which is larger than that of other areas of the country and on which a large group of people are able to find work (including high quality employment) without the involvement of the employment office.

2.3 Technical infrastructure

In the mid-term there is not expected to be any deficiencies in power supply capacity and the main elements of other supply systems (except in centralised wastewater treatment). The infrastructure for the exchange of information and for energy supply is at a relatively high level. However, the supply of water to the city and water drainage from the city are still burdened by the lack of development and maintenance over a period of forty years. The obsolete, inadequately functioning and incomplete water management infrastructure is major water and air polluter and an obstacle to the potential development of attractive localities and to the transformation of the city environment.

In the supply of electrical energy and natural gas, Prague is fully dependent on systems and resources of nationwide and European importance. All households are connected to electricity distribution networks, and approximately 80 % of households are connected to gas distribution networks. Centralised resources make a significant contribution to the heating supply (heat input at about 7,600 MW), with more than half supplied by the Central Bohemian Mělník Power Station system, which also includes the Prague municipal waste incinerator. About 50 % of households are served by centralised heating supply resources.

A serious problem is the city's high demands on energy, which is underlined in particular by the inefficient consumption of energy and fuel. The highest consumption is in the area of public lighting and heating. As for the first of these, a process of renovation and modernisation has been launched and specific energy savings have been achieved. To date, however, there has been no detectable reduction in the consumption of heating. The interest of building contractors is still more focused on converting heating sources rather than carrying out energy audits or reducing consumption by, for example, providing external insulation. The heating of "prefab" buildings in housing estates is the least efficient; this results in energy and heat waste which, moreover, increases the burden on the environment. An ongoing process involving the repair and insulation of houses as part of the regeneration of Prague's housing estates (earmarked for 40 % of the region's housing fund) is a systematic solution to this problem. Prague is already preparing a plan for buildings in its ownership and is financing operations aimed at energy saving and the conversion of solid fuels to environmentally sound fuels. In connection with the Area Energy Document, an energy supply policy is being prepared for the territory of Prague as of the year 2010.

The water management infrastructure is based on the Želivka, Jizera and Vltava water resource system (the water system of Central Bohemia), which has a total maximum capacity of 11.3 m³/sec, as well as on a combination of centralised (approximately 96 %) and local (approximately 4 %) drainage and treatment of waste water. The quality of the drinking water is in accordance with Czech standards.

The extensive network (approximately 3,400 km of water mains and approximately 3,000 km of sewers) is used by almost 99 % of households. The oldest networks, in the compact city, are coming to the end of their lifetime, while the newer networks, in the outlying parts of the city, are either of poor quality or incomplete. The oldest water main (18 % of the total length of the network) was built in the period between 1874 and 1930, while the average age of the whole network is 39 years. The sewer system is similar, although, in comparison with the water mains, the situation here is hindered by the obsolescence of the main and sub-main sewers of citywide importance in the compact city, particularly in the centre (the average age of the main brick-built sewers is 73 years). The poor condition of the networks is the cause of the loss of more than 30 % of treated water, the deterioration in the quality of water during transportation to consumers, increasingly frequent breakdowns (even of water supply and sewer mains of citywide importance), and environmental accidents affecting water courses. Water treatment plants, including the central water treatment plant, are also facing operational difficulties; they are not able to meet higher demands for water treatment with existing facilities. For further development and transformation of the city, it is necessary to resolve strategic issues concerning the capacity of the new central water treatment plant and to supplement the technology of local water treatment plants. These problems are being addressed in a general water drainage plan for the City of Prague, whose application will allow EU standards to be more respected.

The water supply and sewerage networks, water towers, drinking water pump stations, waste water pump stations, waste water treatment plants and other facilities supplying and draining Prague are owned by the City of Prague. Pražská vodohospodářská společnost, a. s. [the Prague Water Management Company] is entrusted with the management of those properties, including the reconstruction and development of the water management infrastructure (the City of Prague holds 92 % of the shares in the company). Pražská vodohospodářská společnost, a. s. has entered into contracts with Pražské vodovody a kanalizace, a. s., AQUACON, a. s. and Framaka, s. r. o. for the operation of the water facilities entrusted to it.

In the middle of August 2002, Prague, as well as other large areas of the Czech Republic (approximately 40 % of the country's territory), was afflicted by destructive floods. In Prague, the recent flood has no match in history and is therefore referred to as a five hundred year flood. The dramatic course of the floods was mostly due to an exceptional level of precipitation, subsequently amplified in Prague by the concurrent impact of flood waves on the rivers Vltava, Berounka and Sázava. When culminating on 14 August, Vltava's level at Prague-Chuchle reached 785 cm with the rate of flow at 5,300 m³/s, which was twelve times the average level of the river's surface (66 cm) and nearly thirty-seven times the long-term average rate of flow (145 m³/s).

Eight percent of the total city area was inundated and the damage costs amount to € 861 mil. The underground rail system was one of the most afflicted parts, with damage costs nearing approximately € 320 mil. The renovation of the inundated parts of the Prague underground rail network required approximately € 225 mil. as of 07/2003. Twenty-six stations were out of operation, 17 stations were completely flooded. One of the financially and technically most demanding processes has been and continues to be the reconstruction of damaged road system in afflicted Karlin district as well as the embankment of Prague 1. Technical infrastructure as well as the environment was badly destroyed. The central city sewage was flooded and out of

order. This fact influenced the quality of water in the river Vltava. Green areas were damaged considerably (€ 3.2 mil.), as well as scrap industry, the network of collectors (approximately € 2.36 mil.) etc. Approximately 4,000 flats were inundated; 200 were torn down. Some 50,000 people were evacuated. Out of them 20,000 people were inhabitants of Karlin district, the area that is included in the SPD Objective 2. Many entrepreneurs and small businesses were forced to discontinue their operations. Inundation of the Prague ZOO cost lives of a large number of animals. The total damage to the unique cultural heritage of the city would be impossible to quantify. The most severely affected cultural establishments included theatres, school buildings, libraries including buildings that had been newly renovated at the time. Many of valuable documents in archives were lost. The cost of renovation and restoration of such materials will reach incalculable amounts.

The experience of the August floods in Prague has highlighted the necessity of a better flood protection of Prague. The first installed sectors of mobile anti-flood barriers have brought about positive effects, having saved a substantial part of the Old Town (approximately 0.5 km²) from flooding. In protecting residential areas against floods, small tributaries of Vltava in Prague, especially Rokytka and Botič, should not be omitted as they, too, were affected by the August flood due among other things to the reverse wave from the river Vltava. At present, Prague is reviewing flood zones. The construction of additional sectors of flood protection facilities is being prepared, which should be designed to the dimensions of the 2002 flood. Elimination of flood damage and rehabilitation of the area are financed from the city and state budget and EU resources (ISPA programme, the European Union Solidarity Fund – which has allocated € 43 mil., for the City of Prague). Prague has also obtained a long-term loan from the European Investment Bank (EIB).

Implementation of SPD Objective 2 will support the city's efforts to protect the afflicted areas against future flooding and to prevent any future damage.

Five telephony operators provide their services over fixed telecommunications networks. The Prague telephone nodal area also includes the adjacent part of the Central Bohemia region. Approximately 760,000 telephones are connected to the network, of which some 490,000 are household lines. Three operators provide their services as part of the national digital cellular telephony (GSM). This service covers the entire territory of the City of Prague. In addition, specialised radio-relay networks are operated in Prague, and cable TV services are provided. Prague's telephone network, which has until quite recently been practically the only available access technology ("Dial-up", ISDN), is now fully digitalised and, together with existing networks suitable for a sufficiently fast transmission of large amounts of data of all sorts, constitutes an important basis for introducing broadband access technologies. Utilisation of information technologies (including the Internet) is developing relatively fast, but in an uncoordinated manner, especially in the state and municipal administration and in the business sector. However, availability to the general public and SMEs continues to be an issue.

Electronic communication services, which are provided in the City of Prague by a number of private providers, are swiftly developing as a market segment. The city administration itself has access to a multi-functional high-capacity trunk network MePNet (utilising primarily optical fibre), which enables full-scale communication between municipal authorities and organisations, and access to other public and non-public networks, including the Internet. This network directly interconnects 42 city administration entities (including organisations providing public services) and indirectly, as part of basic town hall information services, another 300 + entities. Connected to the MePNet network are also networks of important state administration entities. All entities connected to the MePNet network create their own local networks. The weakness of this system, however, is the different level of the information

infrastructure and implementation of information systems by individual municipal authorities. The still inadequately co-ordinated development of utilisation of information technology by the city administration causes a low level of exchange of data between and among city administration entities and external parties. A general issue that still needs to be addressed as part of the national information policy is the regional monitoring of the electronic communication market, where statistical monitoring of selected indicators is being introduced and the necessary data is not yet available.

A nationwide survey conducted in 2002 (with Prague undoubtedly being a leader in this respect) indicated that more than 50 % of households have available some of the telecommunication services allowing access to the Internet (67 % of households are equipped with fixed telephone line, 65 % own a cellular phone, 25 % use cable TV, and 28 % have a computer), but actual use of these possibilities is significantly lower due to various reasons – only 16 % of households had access to the Internet from their homes. Nevertheless, 22 % of inhabitants used the Internet on a regular basis. The relatively insufficient equipment of households in this respect is mostly due to limited motivation of the general public to widely use ICT (supply of modern public services, underdeveloped electronic commerce, limited availability of broadband access, relatively high cost of installation and operation, etc.).

2.4 Transport infrastructure and services

The high demands placed on Prague's transport infrastructure cannot be adequately met in all areas by the relatively dense transport networks in the region. Prague has a relatively well-functioning public transport system with a backbone underground network (50 km) and tram network (138 km long). Public transport is widely used by residents of Prague, with an almost 60 % share in the overall transportation of people in the city. Annually, it serves around 1,1 billion people and its vehicles cover a distance of about 150 million kilometres. The urgent need to make public transport more attractive has contributed to the gradual establishment of the Prague Integrated Transport System. Currently, this system covers a distance of about 35 km from the city limits, which includes a significant part of the territory of the Central Bohemia Region (about 250 municipalities). The area that is served is continuing to expand on the basis of public interest and the integration of individual forms of transport is being gradually optimised. Park & ride facilities also form part of the integrated transport system; 13 park & ride pick-up points with 1,442 parking spaces, were put into operation at selected rail transport stations in 2002.

On account of the city's efforts aimed at supporting public transport, within the scope of its financial capacity, it has been possible to stop an unfavourable trend in transport work distribution which set in at the beginning of the 1990s. At that time, the proportion of public transport use to private car use changed from 78:22 to 60:40, which caused serious problems for the running of the city and for the city's environment. The overloading of the road network developed during the 1990s, initially localised at specific points, later covering the whole area. This problem rapidly expanded from the downtown area, where capacity was exhausted, to other parts of Prague. Streets in the central part of the city have recorded up to a four-fold increase in car traffic intensity since the beginning of the 1990s.

The above problems have a number of causes. As a result of post-1989 social changes in the Czech Republic, the total number of kilometres travelled by cars throughout the city increased 2.5 times by the year 2002, exceeding a daily average of 17,7 million kilometres. This situation is made worse by high demands on passenger transport as a result of an uneven distribution of individual functions (i.e., residential/work/social facilities) throughout Prague – in particular, links between existing monofunctional housing estates and localities with a

concentration of job opportunities. Significant burdens on transport are also caused by the increased number of commuters to Prague – approximately 110,000 people, of whom three quarters are inhabitants of the Central Bohemia Region, particularly from districts near Prague. In total, however, the city limits are crossed (both ways) by a daily average of about 370,000 people. The number of private cars travelling into Prague has tripled since 1990.

The length of the road network in Prague is about 3,500 km (including local roads), of which the motorway comprises only 11 km and the other roads for fast-moving traffic 76 km. The need for bypasses around Prague and the inner city is becoming increasingly apparent – to date, only minor segments of the two planned ring roads have been built. It is in the south part of the city ring road (previous name was inner ring road) that the most overloaded sections of the Prague road network are, with a daily intensity in 2002 of about 110,000 vehicles on roads having three lanes in both directions (as compared with around 30,000 vehicles in 1990). With such a volume, it is impossible to ensure the smooth flowing of traffic at peak times. About one eighth of this amount constitutes transit vehicles, which, along with other vehicles currently using inner-city roads, will be able to use the south section of the Prague ring road (previous name was outer ring road) once it is built – this section is further away from the centre and is equipped for such traffic. Prague is situated at a point of intersection for important transit routes (including the multi-modal corridor IV and its branch A). However, lack of bypass routes may become a weak point within the trans-European transport networks.

Due to the absence of bypasses and to the city centre serving as destination for intense traffic, road sections with daily traffic intensity of around 100,000 vehicles (around 65,000 in 1990) are also located in the very centre of the city – on the key north-south road which runs around the borders of the Prague heritage conservation area.

The almost doubling of the amount of motor vehicles registered in Prague between 1990 and 2002 means that the city also has to address a major parking problem. Parking is regulated in the city centre due to the scale of the demand and the lack of available parking space and with a view to the historical character of the area. The problem concerning the lack of parking space is growing in residential areas, particularly in housing estates, where the parking capacity corresponds to the much lower demands of the period in which these areas were built.

The number of traffic accidents in Prague increased from 18,024 in 1990 to 44,192 in 1999. Under the impact of legislative change and road safety measures, this amount decreased to 34,195 by 2001, but in 2002, as a result of an increase in the traffic capacity, the number of accidents grew to 35,288, and thus the trend appears to be on the rise again.

2.5 The environment

Prague is one of the most environmentally damaged regions in the Czech Republic. Based on the amount of negative factors concentrated in the Prague territory, the environmental situation here is the worst in the country.

Air pollution is the largest and most extensive environmental problem in Prague. This is despite the fact that the production of the main pollutants has significantly fallen during the last ten years – mainly due to a reduction of the negative influence of industrial production and to the conversion of stationary sources of pollution to natural gas. (Since 1994, a city grant programme for the conversion of heating systems to environmentally sound fuels has been implemented). However, emissions of nitrogen oxides are on the increase, due to the continued growth of car use. The latter generates about 82 % of NO_x emissions in the city, which in 2001 amounted to a total of 18,257 tonnes. Certain parts of Prague now record the

highest concentrations of NO_x in the Czech Republic. Moreover, applicable emission limits have been exceeded here for many years (almost in the entire central part of the city and in the vicinity of the majority of the main roads). The situation is further complicated by the terrain conditions of the Prague basin, which are highly unfavourable in terms of the dispersion of pollutants. The combination of nitrogen oxides, sulphur dioxide and dust particles in the air are detrimental to human health and to the state of buildings, which is most evident in the case of monuments (data for 2001):

- Emissions of solid materials from stationary sources in Prague: 1,381 tonnes/year,
- Emissions of SO₂ from stationary sources in Prague: 3,006 tonnes/year,
- Emissions of NO_x from stationary sources in Prague: 4,098 tonnes/year,
- Emissions of CO from stationary sources in Prague: 7,050 tonnes/year,
- Emissions of NO_x from traffic in Prague: 18,257 tonnes/year (1992 - 2000 increase of 11 %),
- Emissions of CO from traffic in Prague: 37,989 tonnes/year,

EMISSIONS FROM STATIONARY SOURCES (in tonnes per year per km², 2001)

Table no. 13

Region	Area (km ²)	Solid materials	SO ₂	NO _x	CO	C _x H _y
Prague	496	2,78	6,06	8,26	14,21	6,27
Czech Republic	78 864	0,56	3,09	2,07	4,00	0,73

Source: CHMI, CEI, PCH

Prague is the region in the Czech Republic most affected by noise pollution. Almost 50 % of the population is exposed to noise levels above 60 dB and 7 % can be expected to have associated health problems. As with air quality, here, too, road transport plays an important part, causing about 90 % of all noise pollution. Vibrations that often accompany excessive noise levels, mainly from mobile sources; have negative effects not only on human health but also on buildings and historical monuments. It is necessary to carry out extensive and costly anti-noise measures in the city, particularly in connection with the transport infrastructure.

The water quality of the Prague waterways is unsatisfactory, and this significantly reduces their economic, ecological, recreational and aesthetic importance. Before the August 2002 floods, the river Vltava within the Prague city limits fell into the 3rd category of water quality (polluted water). The hydrological condition of Prague is not improved by the river Berounka or the main tributaries Vltava in Prague (mostly 4th and 5th category). The situation in Prague is far worse than it is in the Czech Republic as a whole. There is also a warning sign given in the fall of the water levels of small waterways. Another problem issue is the need to ensure the cleanliness of recreational stretches of water.

The green areas, of varied quality and size, cover about one third of the city's territory, but their decreasing levels and disproportionate coverage of the city is seen as a threat to the microclimate and the city's general environment (threatened biodiversity, water regime, recreational and aesthetic functions etc.). There is a relatively fast rate of green area loss in the centre of the city, where there is the most urgent need for their overall positive effect. Woodlands are a specific feature of the Prague greenery. They cover 10,5 % of the city area, but all new growth is deemed to be damaged. The total of 88 small nature reserves and 11 natural parkland sites are registered in the city, taking up almost 21 % of Prague's territory. Their protective and eco-stabilising function, however, is threatened by excessive recreational use and overall negative "civilisation pressures".

2.6 million tonnes of waste was produced Prague in 2001, about 18 % of which was of municipal origin (including trade and company waste), 3.4 % industrial and 50 % construction. The production of waste is continually increasing, which is reflected mainly in the marked rise in the registered amount of municipal and construction waste. Around 50 % of municipal waste is incinerated with the heat being used as a source of energy and about 40 % is dumped and stored. About 15 % of all municipal waste is now sorted, in comparison with 30 % in some Western European countries – a figure that Prague could reach before 2010. This development is being helped by the increasing effectiveness of sorting facilities and the collection of sorted waste (almost 3,000 collection points are now in place in Prague's territory). There is a deficit, however, in the recycling of usable components of waste and in the management of biologically decomposable waste, where there is no separated collection or sufficient facilities for its processing. The problem of packaging remains unresolved, but this goes beyond the scope of the city. Waste dumps and past ecological burdens represent a major problem, of which around 1,600 were registered in Prague between 1995 and 2000.

The quality of the city's urban environment is being lowered by a number of poorly maintained, disused or unsuitably utilised areas, particularly in former industrial zones, the inner city and outskirts. As a result of economic transformation, there are also vast, inadequately used or partly abandoned industrial sites that have become major urban, ecological and operational burdens on certain parts of the metropolis. These areas take up almost 1.5 % of the city's territory (while all areas earmarked for transformation take up 4 %). A specific type of Prague "brownfield" site is the extensive land belonging to Czech Railways, whose future function has yet to be clarified. Brownfields in Prague cannot be characterised as being completely abandoned, disused or devastated areas, however – they are more a combination of makeshift sites with the remnants of old functions and the seeds of new ones. As a whole, they do not create the right prerequisites for quality urban reshaping or a viable utilisation of the land. The main obstacle to the efficient conversion of former industrial sites is the scale of investment required, which is mainly the result of the extensive nature of such complexes and the costly removal of past ecological burdens. The regeneration of former industrial sites has already occurred in the Smíchov and Karlín districts of Prague, where progress has also been made on the development of new citywide centres. The projects here have enabled the utilisation of the architecturally more valuable parts of industrial buildings for new administrative commercial aims.

Many social, urban, transport and ecological problems are connected with the existence of large housing estates. Prague housing estates represent almost 38 % of the city's housing fund and are home to over half a million people (that is over 40 % of the city population). As regards their appearance and overall functions, most housing estates need regenerating and revitalising in order for them to become a full-scale component of the city. The main problem is their primarily one-sided nature, which is to say that they offer nothing more than accommodation. Residential functions predominate and the service sector is often sub-standard in terms of size. A crucial issue is the lack of job opportunities, linked to the failure to develop previously planned production and service capacities (in Jižní Město/South Town) and the demise of industrial areas (in Severní Město/North Town) in the immediate neighbourhood of housing estates. Residents are therefore dependent on travelling across the city, particularly to the centre, for work and services, which places a significant burden on the public transport system. The anonymity, urban-related problems and social composition of large housing estates are often connected with a relatively high crime rate and vandalism.

One of the key elements shaping the character of the city is the wealth of historical monuments concentrated mainly in the Prague heritage conservation area. In 1992, this area was registered on the UNESCO list of world cultural heritage sites. At the same time,

however, it is a living and dynamically developing organism that fulfils its role as metropolitan centre. Around 220,000 people work here, that is, just under a third of economically active Prague citizens. On a daily basis, the Prague centre welcomes about 500,000 visitors. Saturation by vehicles of the heritage conservation area is a crucial problem for the city, along with growing pressure for often undesirable, mainly commercial, utilisation of historically valuable sites. In the same way, the steep decline in population figures is an acute problem; 170,000 permanent residents lived here in 1990, compared to only about 50,000 at present. An increased intensity of tourism could have an adverse impact on the living conditions of the local population (deformation of the structure of the services being offered in favour of tourism, increase in the prices of common goods). In addition, intensive interest on the part of investors has also other negative aspects, including inconsiderate use of objects of cultural heritage and facilities in their vicinity leading in some cases to damaging the historic value of the entire area. The unique appearance of the city is also being impaired by new buildings that are inappropriately located and insensitively designed. This places at risk not only the physical legacy of the past but also the genius loci with which Prague is associated.

2.6 Institutional infrastructure facilities of the region

The basic institutional infrastructure consists of the city administration. The main powers of the city administration are set out by a special Act on the City of Prague. This piece of legislation describes, among other things, the extent to which the City of Prague and its several boroughs independently administer their respective affairs (independent powers) and the extent to which Prague exercises state administration (delegated powers). In accordance with the Act, the City of Prague assigns the exercise of a portion of the state administration to entrusted city boroughs. Prague's territory, constituting a single administrative and self-governing unit, is divided into 57 city boroughs (NUTS level 5). Prague has been divided into 22 NUTS level 4 administrative districts for the purpose of the exercise of state administration since 2001. City boroughs are administered by borough assemblies headed by councils and mayors. City boroughs are independent public entities authorised to manage the assets of the City of Prague entrusted to them. Decisions on behalf of city boroughs are made by city borough authorities. Prague and the city boroughs are administered by self government and state administration organs.

The organs of the City of Prague (and similarly organs of the city boroughs) include in particular:

The Assembly of the City of Prague (70 representatives elected for a four-year term of office), the Prague City Council (11 members elected from among the representatives), Mayor of the City of Prague (in boroughs, mayor of the borough) heading the Council, the Prague City Hall (in city boroughs, the Borough Authority), and the Prague City Police. Other organs include advisory and initiating entities – Assembly committees and Council commissions.

The Prague City Hall (the Borough Authority), within the framework of its independent powers, performs the tasks assigned by the assembly and by the council, and exercises the delegated powers unless those have been vested in other authorities by the operation of law. The Prague City Hall is headed by the Chief Executive Director (city borough authorities by the Secretary), who supervises all employees of the city working at the City Hall (city borough authority).

The basic organisational units of the Prague City Hall and of City Borough Authorities include departments, which are further subdivided into units, and stand-alone organisational

units. The departments of the Prague City Hall, with the exception of the Mayor's Office Department, form parts of four sections.

The special organisational units are the secretariats of members of the City Council.

For purposes of securing the rendition of public services, the City of Prague has established a number of its own service and cultural organisations (currently 85 organisations), and holds material ownership interests in companies providing for public transport, energy, water and waste management, as well as in other business vital for the functions of the city (collectors, data networks etc.).

In the Prague region, development infrastructure – i.e. the network of service-providing institutions (consulting services, distribution and implementation of financial support) – consists of organisations that operate throughout the whole Czech Republic and are based in Prague, plus organisations with a regional scope of activity, which are considerably fewer. The region's institutional infrastructure comprises universities, specialised consultancy centres for businesses (largely on a commercial basis), professional associations and the regional chamber of commerce (Prague Chamber of Commerce). As yet Prague does not have a specialised regional development agency. Co-operation between the city administration, business sector and civic associations and other organisations in the non-profit sector functions to a basic extent. The Prague region, therefore, is not yet comprehensively served by institutional infrastructure facilities.

2.7 Supportive measures implemented in the region

Prague, like other regions in the Czech Republic, participates in the utilisation of general supportive measures that are secured at state level. In certain cases, the scale of support at state level is completely insufficient and Prague has to resolve a number of large-scale investment operations within its own financing. This mainly involves technical and transport infrastructure, where Prague covers selected activities by financial resources from the European Investment Bank and from city bonds that have been successfully placed on foreign markets. Development is strongly influenced by constant changes in the budgetary rules at state level. As these regulations do not bind the distribution of state funds to the level of generated GDP, the results of the city's own operations can be reutilised only to an inadequate, non-incentive level.

Financing from EU and other external resources

The activity of the city management in using various external financial resources markedly increased in 1998, and the amounts of funds used from such resources have been quite large since 1999. The city management has decided to make use of external resources in view of the need to resolve certain problems concerning transport and other infrastructure, where their seriousness and the need for an immediate solution has substantially exceeded the current limits of the city budget. Such resources are a substitute for resources from the state budget, which have been minimised. An example of use of such resources involves management of the consequences of the 2002 floods.

The use of external resources has always been linked to operations that address priority problems as formulated in the city's strategic development documents (especially the Strategic Plan). Hence, the majority of the proposed projects and operations for SPD Objective 2 are similar in character to investments that to date have been co-financed from these resources.

The most significant resources include mainly the second and third issuance of municipal bonds placed in 1999 – 2001 on a foreign financial market with the aim of obtaining funds for financing priority programmes (development of rail transport, reconstruction, renewal and development of technical infrastructure, construction of the city ring road and the preparation of conditions for housing construction). The other resource, which is even more substantial, is in the form of loans from the European Investment Bank. Four loans have been provided: one, amounting to € 50 million, will be used in the field of water management infrastructure, another, amounting to € 150 million, is expected to be fully invested in the underground rail system with a view to improving the quality of public transport in the city, and the other two are earmarked for repair of the damage caused by the 2002 floods (in combination with additional resources from the ISPA fund). Funds from external resources are, to a considerable extent, being used for investments allocated to the area which has been put forward for support under the measures proposed in SPD Objective 2.

2.7.1 Support for small and medium-sized enterprises

The Government approves programmes with a national or regional impact in support of small and medium-sized business. Support comes in various forms, including advantageous bank guarantees, advantageous loans, subsidies, etc. Although Prague businesses can only use some of the support, their participation in these programmes has been low to date and does not correspond to the share of Prague small and medium-sized enterprises in the total number of similar entities in the Czech Republic, which amounts to about 18 %.

SUPPORT FOR SMALL AND MEDIUM-SIZED ENTERPRISES – PRAGUE'S SHARE IN THE CZECH REPUBLIC

Table no. 14

2002				2001			
total support		volume		total support		volume	
number	% share	in € million	% share	number	% share	in € million	% share
319	9.9	4.02	5.9	229	8.5	2.75	4.0

Source: MIT

Although in 2001 and 2002 there was a marked increase in the amount of support provided and in the amount of funds used, this change is only minor when compared to national amounts. In addition to the specific types of support as shown in the table below, Prague-based small and medium-sized enterprises received 158 subsidies from the Czech-Moravian Guarantee and Development Bank in 2002 (14.4 % of the number for the Czech Republic) amounting to € 1.5 million, and thus Prague's share has doubled – 17.7 % of the national volume as compared to the previous year. The SME sector will need to confirm this improved trend in the course of this year.

SUPPORT AND PROGRAMMES FOR SMALL AND MEDIUM-SIZED ENTERPRISES

Table no. 15

Territory	Support - programmes					
	Guarantees for bank loans	Contributions to interest payments	Advantageous loans	Export (Marketing)	Design	Small loans

	no.	advantag. guarantees in € thousand	no.	volume in € thousand	no.	volume in € thousand	no.	volume in € thousand	no.	volume in € thousand	no.	volume in € thousand
Prague 2001	35	341.9	1	54.8	9	800.0	86	432.3	27	45.2	2	54.8
Prague 2002	26	28.5	5	7.2	23	22.2	68	12.1	33	2.0	3	3.0
Czech Republic 2001	595	22,203.2	446	12,000.0	344	20,374.2	426	2,158.1	140	245.2	66	1,932.3
Czech Republic 2002	498	615.5	485	453.5	571	618.2	356	63.6	155	10.0	57	49.8
Prague's % share 2001	5.9	1.5	0.2	0.5	2.6	3.9	20.2	20.0	19.3	18.4	3.0	2.8
Prague's % share 2002	5.2	4.6	1.0	1.6	4.0	3.6	19.1	19.0	21.3	20.0	5.3	6.0

Source: MIT

Increased business activity is reflected in the repeated use of the SMEs-oriented export support programme by means of providing export-related information, consultancy and training services (referred to as the Marketing programme since 2000) and, in particular, the Design programme. The evaluation of effectiveness of the programmes designated for the support of SMEs clearly indicates the benefit they have had in terms of improving the management and economic stabilisation of businesses, finding new business partners and new sales territories. In the years 1999 to 2002, Prague small and medium-sized enterprises took part in competitions for supportive funds for research and development from the Technos programme, as part of which 21 projects obtained support amounting to over € 1.8 million, of which almost € 0.3 million was in non-refundable subsidies.

The overall low level of support implementation, however, requires special analysis. Normally, this type of support would be secured particularly by professional associations or other organisational business structures (Chamber of Commerce, Association of Small and Medium-sized Enterprises and Sole Proprietors). One important reason for the low take-up is that the information system of an extensive group of small and medium-sized enterprises is, in all likelihood, only part functioning and that this support is not sufficiently publicised. This is illustrated, for example, by the minimum participation of Prague-based businesses in the PARK (establishment, operation and development of science and technology parks) and advisory assistance programme (the share of Prague-based businesses in 2002 amounted to 6.2 % of the national figure, and they drew 6.1 % of all allocated financial resources). The objective of this programme is among others to secure advantageous conditions for the rent and utilisation of research, production and office space and equipment, and to provide reasonably priced consultancy and other services on the grounds of science and technology parks for small and medium-sized enterprises of an innovative nature that are focused on the implementation of cutting-edge technological solutions and on technological transfer.

Support for the business sector, in particular for small and medium-sized enterprises, is not, however, an end in itself and is not narrowly conceived as a unilateral arrangement for streamlining their performance. Prague sees the utilisation of support from the Structural Funds as providing an opportunity to resolve truly complex problems and fulfil the requirements of Objective 2 (support for the economic and social conversion of regions). This concerns selected areas of the city where social and economic problems, along with technical

and operational difficulties, have accumulated. Solutions for such geographically definable problems can be implemented via the aforementioned activities which, at the same time, will complete other priority tasks relating to city development, for example in respect of Prague's innovative role. In this way, a whole series of projects and concrete programmes is being directed towards polyfunctional solutions, including environmental measures, the creation of job opportunities, a reduction in social problems and positive economic effects for the region and country as a whole. Indirectly, this may influence both expenditure and income sides of the "European budget".

A more favourable situation can however be noted in respect of the operations of small and medium-sized enterprises in Prague under existing EC programmes. For example, since 1998, Prague has had, on average, a 20 % involvement in the Europartneriat project. Participation of representatives of small and medium-sized enterprises in the sub-programmes and projects within the Euro Info Centre (DG Enterprise) has also been high. Prague's innovative role is reflected also in the strong participation of Prague-based firms and research and educational institutes in projects under the Fifth Framework Programme of the European Community – FP 5 (e.g., Life, IST, Growth, EESD, INCO 2, INTAS, INNO, Improving). This largely involves the non-investment utilisation of resources provided – as is the case with other EC programmes mentioned below. However, it is difficult to assess the specific effects of a number of these projects, especially those which pursue long-term objectives. A major portion of FP 5 consists of the Information society technologies activities that absorbed almost one quarter of the total eligible claimed financial means (approximately € 10 mil.) including a considerable part of SMEs group. The Sixth Framework Programme of the European Community (FP 6) for research and technological development has been in place since 2002 (for the years 2002 to 2006). The newly drafted FP 6 differs considerably from FP 5 as it focuses on integrated projects and networks of excellence. The themes and subjects it covers include, for example, sustainable development, biotechnology, and food quality and safety. Thematic priorities also include information society technologies, an area in which the involved Prague teams may follow up as part of FP 6 with their previous participation in relevant projects. It is necessary to respect the aspect of as broad co-operation as possible, including international co-operation.

The goal of some of the "organisational" projects, expected to be implemented under SPD Objective 2, is to co-ordinate or link the above national and international programmes to the maximum extent possible with specific activities in the field of innovation and competitiveness. Although this will apply to the city's entire economic base, special attention will be paid to SMEs. These newly created communication and organisation structures must be as transparent, comprehensible and simple as possible. In this context, use will be made of other programmes organised at the national level as well as in the EU. These include, in particular, the following:

- The Multiannual Programme for Enterprise and Entrepreneurship, and in Particular for Small and Medium-sized Enterprises 2001-2005;
- EC international co-operation projects – CRAFT and Collective Research as part of FP 6 (co-ordinated by the Ministry of Education and Youth);
- programmes of industrial research and development of the Czech Ministry of Industry and Trade: Increasing the performance of Czech industry – PROGRES; and Project consortia – KONSORCIA,
- specialised national research and development programmes effective up to 2010 – IMPULS and TANDEM; and up to 2009 – POKROK, launched by the Czech Ministry of Industry and Trade in 2003.

The level of knowledge of individual types of supportive programmes considerably differs among business entities and other parties, based in particular on the size of business and sectoral reach. The scale of methods of support in use is rather extensive, but in a number of cases businesses are unable to keep track of and properly understand all available offers. The existing offer of supportive programmes provided for by the Ministry of Industry and Trade has received positive response. On the average, knowledge of EC supportive programmes has been inadequate. Majority of businesses, including also SMEs, indicate that they plan to make greater use of these forms of assistance from the EC in the future, whether provided in financial form or, alternatively, in kind.

The missing specific financing instruments designed to support technology transfer include incubator financing tools, seed capital or start-up funds. Banks have not as yet been sufficiently motivated to focus on technology firms. The existing financial instruments have so far been insufficiently employed to develop corporate venturing as a specific type of venture capital, investment of the type of development outsourcing by small innovative firms, etc. Investment of the Business Angels type have so far been ineffective due to lack of know-how and necessary funding.

However, the most important task (at least in the 2004 to 2006 programming period) is to provide for sufficient availability of information on all forms of assistance, and ensure that such consultancy services are in place that will make such assistance available also to the smallest firms.

There are no demonstrable local disparities within the Prague territory at NUTS 4 and 5 levels in terms of issues relating to support for small and medium-sized enterprises, science and research and information society development. In the selected area, therefore, these issues will be addressed on the basis of concrete projects. In view of the current level of readiness of projects, Prague 14 and 21 in particular appear to be suitable localities for the support of science and research. In co-operation with the private sector, business support will focus mainly on the regeneration of "brownfields", the creation of job opportunities and improvements in the quality of life in large housing estates.

2.7.2 Development of human resources

Support strategy for securing improvement in the quality of the workforce and in the creation of opportunities for disadvantaged groups of inhabitants should be based on broad co-operation between the private sector, state (e.g. the employment offices) and the education sector. Such co-operation, however, has not yet been sufficiently developed. Nevertheless, the development of the education system at Prague schools is already supported by the TEMPUS programmes, and specialist training is being provided under the PHARE-VET programme. Educational institutes are making increasing use of the international programmes SOCRATES, LEONARDO and Youth for Europe. Certain problems relating to the labour market are being addressed under the PALMIF programme, which supports training and retraining activities.

2.7.3 Technical facilities and services of the area

For a long time, Prague has been intensively striving to achieve improvements in the sphere of technical infrastructure and, every year, expends financial resources to this end within the maximum limits of the city budget. To date, the reconstruction and rebuilding of general infrastructure (launched at the beginning of the 1980s) have been financed from state sources.

A marked improvement occurred after the privatisation of operations, particularly in the field of energy and transmission of information (e.g., the development and modernisation of their networks, expansion and conversion of CHS sources). Prague has subsidised the conversion of heating sources for about 7 % of the housing fund and is involved in various state-supported projects, such as the MRD-sponsored programmes for energy savings and the regeneration of housing estates.

Prague's efforts at improving the neglected water management infrastructure have been continually faced with a lack of financial resources. As a result, not even the positive results from partial reconstruction and systemic measures implemented by network operators and administrators since 1996 have brought about any change in the overall negative trend involving infrastructure deterioration, breakdowns and water leakage. A programme for water distribution and sewer system renewal continues with the aid of a loan from the European Investment Bank obtained in 1999. Almost 22 km of water mains and 10 km of sewer pipes were renewed in 2000 (Prague invested over 11 mil. € from the city budget and 5.5 mil. € was obtained from an EIB loan). The localisation of renewal projects, inter alia, in the territory of Karlín will enable the development and transformation of this exposed inner city area severely afflicted by the 2002 flood. Prague expended a further 21.6 mil. € on the development of water management networks and subsidised similar operations in the city boroughs.

2.7.4 Transport

Prague has been intensively addressing most of its transport problems on a long-term basis and nearly half of the city budget is earmarked for transport. Nevertheless, essential and speedier measures are being held back by a lack of financial resources.

Not only the city's public transport (underground, tram, bus, funicular) but also the suburban rail and bus network (from the Central Bohemia Region) have been successfully incorporated into the Prague Integrated Transport System. In addition, park & ride facilities have been introduced. With minimum state support, the underground and tram networks have been extended from 32.7 km to approximately 50 km, and from 130.5 km to 137.5 km, respectively, since 1989. Work is continuing on the extension of the underground into the northern part of the city, which is also supported by an EIB loan.

Only certain parts of the Prague ring road and city ring road have been built on the road network. The Prague ring road should act as a Prague bypass to protect local roads. The completed parts of the Prague ring road – built with state funding – are located only to the west and partly to the east of Prague. The inner ring road will serve to redirect most of the traffic out of the centre. The south part of the city ring road and minor sections in the west and east parts have been successfully put into operation. Prague is currently working on the completion of the west part.

Prague is also actively involved in solutions for projects launched by the European Commission (DG Energy and Transport, DG Research, DG Information Society) as part of the EU's 4th and 5th framework programmes concerning transport (e.g., CAPE, LEDA, Benchmarking of local systems for passenger transport, HEAVEN, MOST, TRENDSETTER and RUBENS-RUE).

A number of the outcomes of these projects should be applied in the specified support area covered by SPD Objective 2 and several new activities and projects located in this area should draw on specific know-how ascertained to date. HEAVEN is one of the more important projects, with a contribution of € 156,000 for Prague in 2000–2002. This project is focused on

integrating data on transport burdens, air pollution and noise pollution. Another major project is INTERACT (interactive provision of environmental information and services for the support of permitting procedures regarding environmental impact assessments); the implementation period for this multi-purpose project is I/2000 – III/2002, with a contribution of € 165,000.

2.7.5 Information society

In accordance with its strategic plan, Prague pays an increased attention to the development of the information society. Its basic directions are set out in the draft Information Strategy of the City of Prague, drawn up in 2001. The Information Strategy contains the following three principal strategic goals:

1. Digital governance of the city:

involves, in particular, the development and implementation of ITCT services in the city-wide and local municipal administration,

2. Electronic communication with the general public:

involves both communication with the general public and provision of public municipal services, especially over the Internet,

3. Prague in the vanguard of the information society:

contains the intention to develop the city's involvement in national as well as international programmes and projects relating to development of the information society.

The Information Strategy, in view of the recent change in the distribution of powers and organisation of the city administration, is currently being updated. These efforts are also designed to ensure the document's compatibility with the national action plan eEurope 2005 now being drafted.

The SPD managing authority will provide all necessary information to the Ministry of Informatics who will coordinate the implementation and monitoring of the national IS Strategy (currently under consultation) as well as the specific IS actions in each Programme (for Ob1, Ob2 and Ob3). The monitoring of SPD IS actions will be based on a set of common indicators proposed with the national IS strategy on the basis of eEurope2005 indicators.

Each individual MA will report in progress reports on relevant programme activities related to information society; annex 1 of these guidelines can be used as a reference.

3. SELECTION AND BASIC FEATURES OF THE AREA SPECIFIED FOR THE PURPOSES OF SPD OBJECTIVE 2

3.1 Criteria and selection methods

Support under Objective 2 may be awarded only to those parts of the Prague territory that meet a number of conditions laid down by the European Commission. A binding criterion in respect of the size of the specified area is that it may not have more than a 31 % share of the total city population. This limitation of support for the Prague cohesion region was put forward by the European Commission on the basis of Article 4 of Regulation No. 1260/1999 during negotiations with the Czech Republic on the concluding of Chapter 21 – Regional Policy and Co-ordination of Structural Instruments. In compliance with the "Recommendations for Areas under Objective 2", a predominantly compact area that meets the requirements also for the lower recommended population limit (30,000 inhabitants) was specified. At the same time, the selected area is meant to respect the borders of statistical units at least at NUTS 5 level, which in the Prague context constitute 57 city parts (boroughs). In view of the linkages between the competences of the self-government and state administration when implementing measures under SPD Objective 2, however, it is more appropriate to follow the division into 22 administrative districts (NUTS 4).

COMPARISON OF INDICATORS FOR THE AREA SELECTED FOR OBJECTIVE 2, PRAGUE AND THE CZECH REPUBLIC* (BASED ON PARAGRAPH 7C OF ARTICLE 4, COUNCIL REGULATION (EC) NO. 1260/1999)

Table no. 16

Damaged environment paragraph 7c	Selected area	Prague (NUTS 2 region)	Czech Republic (NUTS 1)
Indicator 1 <u>Damaged area:</u> Industrial and production areas designated for transformation (<i>% of total area</i>)	3,59	2,94	n. a.
Indicator 2a <u>Ecological burdens:</u> The density of waste dumps and previous ecological burdens (<i>number per km²</i>)	3,7	3,2	0,3
Indicator 2b <u>Ecological burdens:</u> The density of waste dumps and previous ecological burdens (<i>% of total surface</i>)	2,3	2,3	n. a.
Indicator 3 <u>Water quality:</u> Share of the length of water courses significant for water management in the selected area, categorised as class IV and class V quality surface water pursuant to CSN 75 7221 standard ("strongly polluted" and "very strongly polluted" water) (<i>% of length</i>)	78,1	73,8	37,0

*The indicators specified were used in 2002 for purposes of official delimitation of supported area within the NUTS 2 City of Prague region

The fundamental frame of reference for selection was the localisation of city problems specified in the analytical part of this document. The limitation on the size of the area for support under Objective 2 resulted in the need to give preference to those localities in which are concentrated several types of crucial problems. Due to the short-term period (three-year) for SPD Objective 2 implementation, the current state of preparedness for potential projects aimed towards fulfilling Objective 2 has also been taken into consideration.

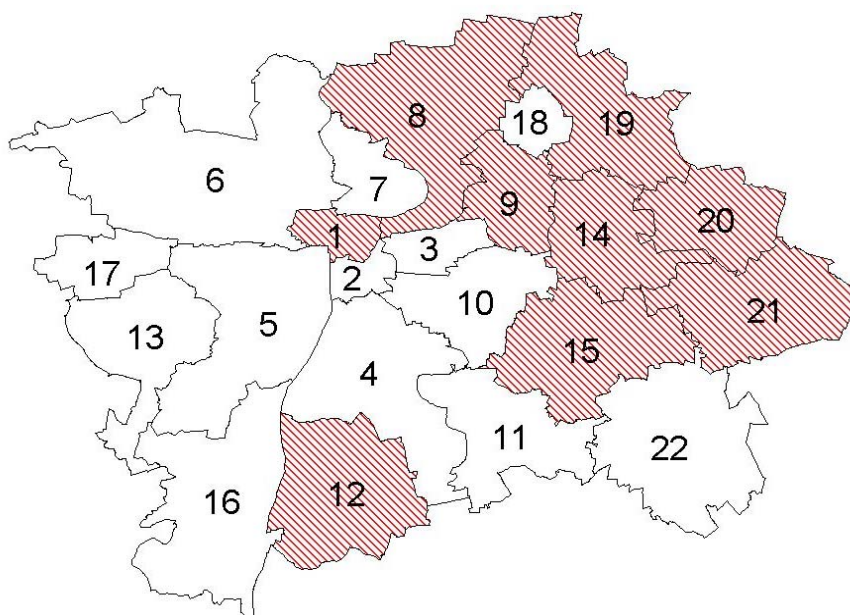
In the selected administrative districts are located a number of transport intersections which are important in terms of commuting from the neighbouring Central Bohemia region, which is an Objective 1 region (Central Bohemia NUTS 2 cohesion region) with a below-average share of per capita GDP – see Article 87(3)(a) of the Amsterdam Treaty. These include the Main Railway Station (Prague 1, Prague 2), Masaryk Railway Station (Prague 1) and the Florenc Central Bus Station (area of Prague 8 bordering with Prague 1); terminals for suburban transport services are also located in Prague 8, Prague 9 and Prague 14.

The selection of the support area was discussed by the SPD Committee and approved by the Prague City Council. This area includes 9 administrative districts (NUTS 4), i.e. 24 boroughs (NUTS 5). On the basis of the 2001 Census, 30.9 % of Prague inhabitants live here (364,800). The area covers 201.9 km², which is 40.7 % of the city territory.

SELECTED AREAS FOR SPD OBJECTIVE 2

(Administrative division - NUTS 4 level)

Chart no. 2



364,766 inhabitants out of a total of 1,178,576, i.e. 30.9 % of the population of Prague
(1 March 2001 Census)

POPULATION AND SIZE OF THE SELECTED AREA

Table no. 17

Administrative districts	Population (as per 2001 Census)	Size of the area (km ²)
Prague 1	34,892	5.5
Prague 8	109,001	37.4
Prague 9	42,246	13.0
Prague 12	62,518	28.6
Prague 14	38,834	19.6
Prague 15	37,807	28.3
Prague 19	14,165	26.0
Prague 20	13,098	17.0
Prague 21	12,205	26.6
Selected area	364,766	201.9

Source: CSO

CHARACTERISTICS OF ADMINISTRATIVE DISTRICTS (NUTS 4) IN THE SELECTED AREA

Table no. 18

Administrative district	BASIC INFORMATION ON administrative districts (NUTS 4), the selected area and unselected area – share in Prague indicators (%)			
	Population 2001 Census	Job opportunities based on 2001 Census	Number of business entities as at 1. 1. 2000	Area as at 1. 1. 2002
Prague 1	3.0	15.8	11.2	1.1
Prague 8	9.2	7.5	6.6	7.5
Prague 9	3.6	4.5	3.1	2.6
Prague 12	5.3	2.2	6.7	5.8
Prague 14	3.3	1.6	1.7	4.0
Prague 15	3.2	2.7	1.6	5.7
Prague 19	1.2	1.1	1.2	5.2
Prague 20	1.1	0.7	0.7	3.4
Prague 21	1.0	0.4	0.7	5.4
Selected area	30.9	36.6	33.4	40.7
Unselected area	69.1	63.4	66.6	59.3
City of Prague	100.0	100.0	100.0	100.0

Source: CSO, STR CDAS PCH

COMPARISON OF CHARACTERISTICS OF THE ADMINISTRATIVE DISTRICTS (NUTS 4), THE SELECTED AREA, UNSELECTED AREA AND THE AREA OF THE CITY OF PRAGUE (%)

Table no. 19

Administrative district	Percentage of women as at 1. 1. 2003	Percentage of persons above 15 years of age with GCSE examination and higher education 2001 Census	Percentage of industrial and manufacturing premises to be transformed* Based on 1999 Master Plan of the City of Prague	Percentage of population commuting to work or schools, with travel time shorter than 29 minutes Based on 2001 Census	Percentage of length of strongly polluted water courses*
Prague 1	52.6	60.6	0.7	68.8	0
Prague 8	52.6	52.9	3.6	46.3	40
Prague 9	52.5	51.2	11.7	50.8	100
Prague 12	51.4	52.2	2.4	42.3	0
Prague 14	51.2	48.4	2.2	49.0	100
Prague 15	51.4	51.7	4.9	46.4	100
Prague 19	52.2	42.5	2.2	51.0	-
Prague 20	51.1	51.3	2.9	46.3	-
Prague 21	48.7	52.0	2.9	37.8	100
Selected area	51.9	52.3	3.6	48.3	78.1
Unselected area	52.8	55.6	2.5	52.3	72.7
City of Prague	52.5	54.6	2.9	51.1	73.8

** This figure shows the length of water courses significant for water management that are categorised as class IV and class V quality surface water pursuant to CSN 75 7221 ("strongly polluted" and "very strongly polluted" water).

Source: CSO, ROPID

3.2 Analysis of problems of the selected area

A comparison of the basic characteristics of individual parts of the selected area reveals functional differences resulting from historic development, differences in the geomorphologic or landscape type etc. In some cases, such differences exist within individual parts of NUTS level 4. For example, Prague 8 stretches from the city centre to the outskirts, i.e. from highly urbanised areas with certain citywide activities, to residential zones, to an area mostly of nature. For the same reason there exist significant differences between the core city centre and the remaining parts of the selected area.

3.2.1 Damaged and unsuitably used sites, storage sites and environmental burdens

The selected area is characterised by a large amount of damaged and disused sites. Approximately 726 hectares of industrial and production zones are placed there that are prepared for transformation process and represent 3.59 % of the selected area in total. One of the major problems concerns contamination of the area as well as its desolation and illegal waste dumps being placed there. The density of waste dumps and past environmental burdens in Prague (3.2 per km²) is about ten times higher than that in the Czech Republic, and is even twelve times higher in the selected area (3.7 per km², or 2.3 % of the area). The Single Programming Document for Objective 2 does not contemplate any systemic liquidation of old

illegal waste dumps and past environmental burdens. This problem may be resolved as part of regeneration of larger damaged or disused sites.

As a result of the transformation of industry, several production and warehousing sites have been abandoned or are only partly used. This situation is made worse by the scattered spatial arrangement of a considerable part of the selected area. The area's lack of penetrability and functional interconnectedness is a hangover not only from the dense localisation of industrial operations and the resulting "barrier effect", but also from the administrative attachment to Prague of what used to be independent municipalities. The physical and functional revitalising of the above-mentioned sites could contribute towards creating a larger and more diverse supply of job opportunities and strengthening the overall economic and recreational potential of the city.

INDUSTRIAL AND MANUFACTURING SITES IN THE SELECTED AREA DESIGNATED FOR TRANSFORMATION

Table no. 20

Administrative district	Total area to be transformed		Areas up to 5 hectares			Areas of 5 to 10 hectares			Areas of 10 to 22 hectares		
	area (ha)	%	number	area (ha)	%	number	area (ha)	%	number	area (ha)	%
Prague 1	3,7	0,5	5	3,7	0,5	0	0	0,0	0	0	0,0
Prague 8	136,3	20,7	256	116,3	16,0	4	20,0	2,8	1	13,8	1,9
Prague 9	151,3	18,9	226	119,4	16,4	3	18,1	2,5	0	0	0,0
Prague 12	69,5	9,6	84	55,0	7,6	2	14,5	2,0	0	0	0,0
Prague 14	43	9,6	80	25,7	3,5	2	17,3	2,4	2	26,9	3,7
Prague 15	138,4	17,1	152	88,9	12,2	3	22,6	3,1	1	12,9	1,8
Prague 19	56	5,9	96	43,1	5,9	0	0	0,0	0	0	0,0
Prague 20	49,7	15,1	81	49,7	6,8	0	0	0,0	4	60,2	8,3
Prague 21	78,2	2,5	27	18,0	2,5	0	0	0,0	0	0	0,0
Total	726,1	100,0	1007	519,8	71,6	14	92,5	12,7	8	113,8	15,7

Source: CDAS PCH

Summary of certain large "brownfield" locations in the territory selected for the purposes of SPD Objective 2

- **Prague 8 - Rohanský Island, Maniny, Libeňský Island (with premises of the former Čs. loděnice [Czechoslovak Shipyards] – at present a degraded area with provisional utilisation of assembly halls and adjacent land as store and warehouses)**

The master plan envisages transformation of this area into mixed urban areas near the entrance to the district centre by the Palmovka underground station. New development is expected to take place that would be linked to the existing city boroughs of Karlín and Libeň and that would expand and complement the urban character of this area. The adjacent area towards the river is intended to be turned into a large natural location with recreational functions for the centre of the city.

- **Prague 9 - Vysočany – ČKD premises north of Kolbenova street**

The original industrial site is partly abandoned and partly rented out to various businesses, mainly for office space, commercial activities and warehouses

The original structures have already been removed from a part of the area, and a programme for initiating transformation of the area is being developed. A number of individual buildings of the original industrial development already have new owners. The location is linked to Kolbenova underground station.

The master plan envisages transformation of the area into business premises and placement of citywide activities.

- **Prague 9 - Vysočany – Praga complex** south off Kolbenova street and adjacent areas

The former manufacturing complex is directly adjacent to the administrative centre of Prague 9. Southern limit of the site is defined by the Rokytka stream. A substantial environmental burden has been discovered on most of the premises.

Apart from the Praga site itself, large adjacent areas are also undergoing transformation. Projects are being prepared for the construction of polyfunctional and residential buildings on the premises of the former incinerator, while other devastated areas lying to the east are also designated for transformation.

- **Prague 12 - Modřany – industrial area** (including the former sugar factory) near the right-hand bank of the river Vltava

Any future utilisation of this area is associated with the idea of building up a recreational, sporting and entertainment complex. An urban study is currently being prepared for this area.

- **Prague 12 - Komořany – industrial area** (Modřanské strojírny [Modřany Machine Works]).

The site does not show marks of any significant activity, and the premises are, for the most part, rented out.

- **Prague 12 - Libuš, Písnice – a part of former meat works** (with most of its area located in the territory of Prague 12)

The premises are to a large extent rented out as storage space. An urbanistic study is being prepared for the area, dealing in particular with transport links.

- **Prague 15 - Štěrboholy** – uncompleted and provisionally used **storage area** with dilapidated buildings, connected to a rail siding.

The master plan envisages transformation of the area to mixed and residential areas for expansion of the municipality. An urban study has been ordered.

- **Prague 14, 21 - Běchovice** – former complex of research institutes

A degraded area incongruously used for commerce and as warehouses, with numerous abandoned buildings and devastated space.

The master plan is based on the original function of the area intended for research, with the possibility of further building on adjacent free plots of land. Establishment of a technology park is being contemplated for this area.

- **Prague 15 – part of the Měcholupy gasworks** that has ceased to have its original function

The master plan envisages transformation of the area, mostly for business activities or for reserve space for universities. Potential use of some parts of the area for recreational purposes. No urban study or development project has been drawn up for the area.

- **Prague 19 - Kbely – abandoned area of aircraft repair shops** with a direct link to the Military air base at Kbely

The master plan confirms manufacturing functions in the area.

Note: Sites are not sorted according to their preparedness for regeneration.

3.2.2 Environment

Air pollution is a major problem in Prague. There are many significant stationary sources of emissions (Modřany heating plant, Invalidovna factory, etc.) in the specified area and others are located in the immediate vicinity (Malešice and Holešovice heating plants, Malešice incinerator, etc.). The area has 8 air quality monitoring stations, of which some record the highest concentrations of pollutants for the whole of Prague (Prague 1 – nám. Republiky/Republic Square and Národní muzeum/National Museum, Prague 9 - Vysočany, Prague 8 - Kobylisy and Sokolovská Street). However, the most important contributor to air pollution is car transport (85 %, citywide 82 %), as a result of which the highest permissible concentrations (mainly nitrogen oxides) are constantly exceeded in the city centre and along the majority of the main roads. The problem of high emission values of NO_x is concentrated in localities which are smaller than the monitored area demarcated by NUTS 4 and 5 borders. Emissions of NO_x per km² in the selected area are about 5.5 times higher than those in the Czech Republic as a whole. On the basis of other selection frames of reference (e.g., contact with the Central Bohemia region for Objective 1, dumps and past ecological burdens, watercourses, project for the support of science and research etc.), the selected area also comprises outlying parts of Prague which have more favourable monitoring results. In the boroughs of the selected area which are located in the city centre and inner city (Prague 1, 8, 9, 14 and 15) and where 72 % of the population of the selected area live, emissions of NO_x per km² exceed the limit value for Prague, which is about 7.5 times higher than that of the Czech Republic. The city centre has, for a long time, recorded the highest concentrations of NO_x in the whole of the Czech Republic. In 2001, the daily emission limit was again exceeded in more than 5 % of cases at most monitoring stations. Permissible levels of dust aerosol, carbon oxide (mainly Prague 1 and 8) and tropospheric ozone (Prague 1, 8, 9 and 12) are often exceeded.

Noise pollution levels are similarly problematic across the region. The chief source of excessive noise levels is surface transport (around 90 %), which make Prague one of the most affected areas in the Czech Republic in terms of per capita noise pollution. Almost 50 % of the townspeople are exposed to noise levels above 60 dB and 7 % can be expected to have associated health problems. Within the specified area, this applies mainly to Prague 1, 8 and 9 and to localities situated near major roads.

As is the case on a citywide level, the greenery coverage of the specified area is disproportionate. The largest park and woodland complexes are located here – including protected areas (Prague 8, 9, 12 and 21) – but there is an acute shortage of greenery in parts that are densely populated and traditionally industrial (Prague 8, 9 and 14). The high proportion of stabilised and built-up sites is unfavourable. In certain localities there is a distinct lack of recreational and sports facilities, often replaced by natural greenery.

The area selected for support under Objective 2 is of key importance for the waste management of the entire city. The central municipal waste dump, which is currently the destination for 42 % of all municipal waste, is located in Ďáblice (Prague 8). The first phased section of this waste dump, which was put into operation in 1993, will probably be full to capacity in the course of this year. Closing down operations here would lead to a considerable increase in overall costs related to dumping (including transportation). This is one of the reasons for considering implementation of its second phased section. A former municipal

waste dump (closed down in 1991) and many other instances of past environmental burdens, including the former temporary waste dump in Dolní Měcholupy (Prague 15), are located in the territory of Prague 8 – Dolní Chabry. In Prague, the density of waste dumps and past environmental burdens per km² is about ten times higher than in the Czech Republic, while the density in the selected area is by some 15 % higher than in Prague as a whole. There are also 7 fixed collection centres for hazardous waste and 3 scrap-yards in the area. In 2000, a sorting unit for paper and cardboard was put into operation in Prague 9, and a sorting unit for plastics was set up in Čakovice (Prague 19), which is currently being relocated to the ČKD site in Prague 9. A municipal waste incinerator is situated in Malešice near the border of the specified area, where around 58 % of the city's mixed and bulky waste is incinerated and used as a source of energy.

Several watercourses, in addition to the river Vltava, run through the selected area. The hydrological axis is the Rokytka stream which intersects Prague 8, 9, 14 and 21. Other watercourses include Botič and Říčanský streams (Prague 15), Čimický stream (Prague 8), Vinořský stream (Prague 19), and Zátišský, Libušský and Komořanský streams (Prague 12). For a long time, most of these watercourses have fallen into the lowest (4th and 5th) categories of water quality. In the area of Prague 12, Vltava falls into the 3rd category; in Prague 1 and 8 the quality has improved from the 4th to 3rd category. The proportion of important watercourses in the lowest (4th and 5th) categories of water quality is far higher in Prague than it is in the Czech Republic as a whole; in the case of the selected area (Vltava, Rokytka and Botič), it is worse than the Prague level. There is still inadequate flood protection in respect of Vltava, particularly in the historical centre (Prague 1) and in the area of Prague 8. In some cases, this problem also applies to other watercourses (Rokytka, Botič), where overall revitalisation is desirable. Revitalisation would strengthen not only their hydrological and biological functions but also their recreational and aesthetic potential. Better urban planning and functional utilisation of Vltava river bank areas would be beneficial, which could, in part, be solved with anti-flood measures.

The selected area was severely afflicted by floods in August 2002, and three residential quarters where the impact was heaviest (Karlín, Malá Strana and Libeň) are located within its borders.

IMPACT OF AUGUST 2002 FLOODS ON THE TERRITORY OF THE CITY OF PRAGUE

Table no. 21

Administrative district	Amount of damage*		Share of inundated area**(% of territory)
	million CZK	million €	
Prague 1	6,554.2	211.4	17.5
Prague 8	9,985.6	322.1	9.0
Prague 9	560.7	18.1	0.0
Prague 12	547.2	17.7	4.3
Prague 14	0.1	0.0	0.0
Prague 15	1.1	0.0	0.0
Prague 19	1.3	0.0	0.0
Prague 20	2.2	0.1	0.0
Prague 21	1.4	0.1	0.0
Selected area	17,653.8	569.5	2.8
Unselected area	9,038.7	291.6	7.8***
City of Prague	26,692.5	861.0	5.8

Source: PCH

* Estimated cost of renovation of the assets used to secure the basic functions in the area afflicted by floods in August 2002

** Areas flooded only by the rivers Vltava and Berounka

*** Large inundation zones are within the unselected area, where inundation during floods is expected to occur

3.2.3 Technical infrastructure

Citywide problems relating to water management infrastructure and watercourses occur to a greater extent or more frequently in the part of the city on the right bank of the river. This is mainly because the city expanded more intensively and at a faster pace here than was facilitated by the preparedness or capacity of the higher-level networks and facilities. As a result, makeshift local solutions were often applied and original, poor quality local networks were used.

All the water management infrastructure problems, including difficulties with the treatment of wastewater, appear in this way in the selected area, for the most part simultaneously. The outdated and inadequately functioning networks are mainly in Prague 1, which also needs to complete anti-flood measures on the Malá Strana bank of the river. In the rest of the selected area, the condition of the networks and facilities are basically comparable to that of other parts of the city. Another problem is the inadequate functioning of infrastructure. This also concerns more recent networks in housing estates and the outskirts which have been built to a poor quality or with poor-grade materials, and local wastewater treatment plants which have inadequate facilities. In the selected area, these deficiencies are more marked in view of the frequency and overall scale of local makeshift arrangements and of the negative effects on the overall burden on and character and utilisation of watercourses.

A specific problem of the specified area is the lack of infrastructure and of adequate capacities for wastewater treatment. The demand for network renewal and completion is being asserted mainly in Prague 12, but also in other boroughs. The transformation and development of the selected area, particularly Prague 14 (with possible overlap into surrounding boroughs), are limited by a deficit of sections of the higher-level sewer system connected to the central wastewater treatment plant. The selected area also comprises the bulk of the most ecologically problematic and important local wastewater treatment plants. In compliance with the conclusions of the General Drainage Plan for Prague that have been made to date, these plants are to be put out of operation, with the area to be transferred to the central treatment plant. Alternatively, it will be necessary to rebuild and equip these plants in such a way that they satisfy Czech and EU limits for the discharge of treated water into watercourses.

3.2.4 Transport services

Any assessment of and investor interest in the development potential of damaged and disused sites is largely conditional upon the quality of transport services. Prague gives preference to public transport while securing necessary access for automobile use.

The north parts of Prague 8 and 9 and also Prague 19 (Severní Město/North Town with about 100,000 inhabitants) lack high-quality, environmentally sound transport services and a terminal for suburban transport from the north part of the Central Bohemia region, which are necessary for development and improvements to the environment. This problem is intensified by a geographical barrier, i.e. the large difference of elevation.⁶

⁶ See the scheme of Transport infrastructure

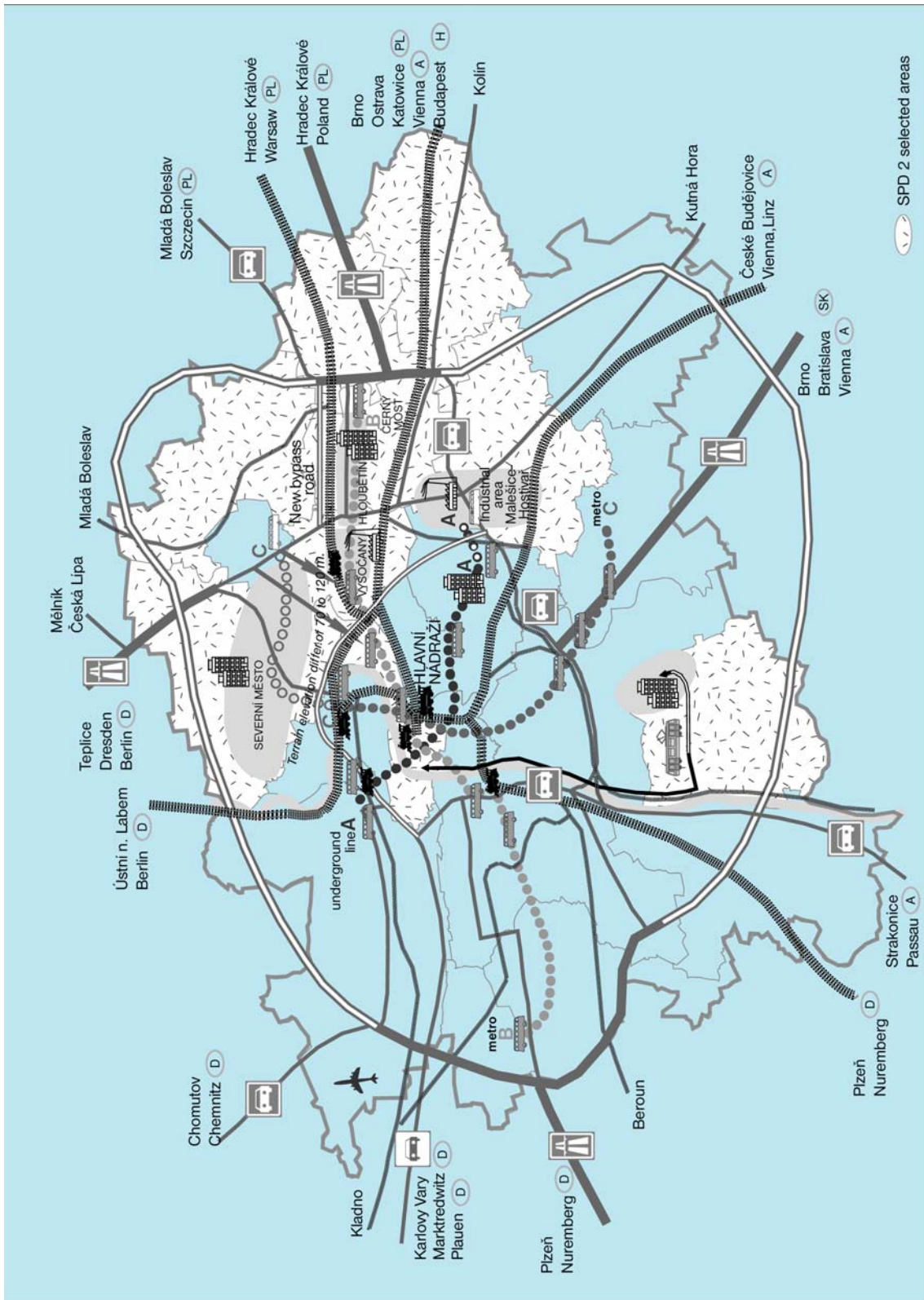
The south parts of Prague 8 and 9 and also Prague 14 and 20, which are situated at a lower level of the valley alongside the river Vltava, are served by a new section of underground line B which was put into operation during the last four years. The fact that automobile transport is currently possible only via residential areas in Hloubětín and Černý Most (Prague 14) is something that limits the revitalisation and development of extensive brownfields in Vysočany (south part of Prague 9). Resolving heavy through-traffic on the road network could help the revitalisation of both affected areas, which mostly comprise housing estates where traffic noise in particular is viewed very negatively by residents.

Improving public transport services could help to launch a process of revitalisation for the former Malešice-Hostivař locality (mainly Prague 15, partly Prague 14 and also Prague 10 – outside the selected area). It would be necessary to secure a new terminal for the city transport and suburban transport from the southeast. The current makeshift terminal of Skalka (Prague 10) is not suitable in view of its location in a residential area amidst housing estates.

Development of public transport would contribute also to the regeneration of housing estates and to development in Prague 12, which currently has the disadvantage of being located a long way from Prague's main road network and from the underground. A tram line secures the backbone public transport system.

TRANSPORT INFRASTRUCTURE IN PRAGUE

Chart no. 3



Source: STR CDAS PCH

3.2.5 Small and medium-sized enterprises, science and research

The different nature of the selected area is reflected, inter alia, by the number of registered seats of business entities. In particular the construction sector (40.2 %), industry (36.4 %) and agriculture (35.3 %) exceed the citywide average of the share of all business entities in the selected area, which amounts to 31 %.

REGISTERED SEATS OF SMALL AND MEDIUM-SIZED ENTERPRISES IN THE SELECTED AREA SORTED BY NUMBER OF EMPLOYEES

Table no. 22

Size of business by the number of employees	Comparison of the selected area with the whole Prague region, share in %, Prague = 100 %)		
	Total	Prague 1	Other districts
not stated *	31.1	5.9	25.2
0	31.3	5.4	25.9
1 – 9	31.8	11.3	20.5
10 – 49	34.8	13.6	21.2
50 – 249	37.0	16.2	20.8
Total SMEs	31.4	6.3	25.1

* in overwhelming majority of cases involves “micro” businesses

Source: STR CDAS PCH

The above figures (proportion of the number of businesses and population) confirm an exceptional position of Prague 1 where more than double the citywide average share of SMEs is allocated (Prague 1 represents less than 3 % of whole Prague’s population) in comparison with the remaining area selected for Objective 2, where the allocation of SMEs is by 3 percentage points less than the share of population (28 %). At the same time, there exists a conspicuous difference in the proportion of registered seats of SMEs according to their size. While the number of registered seats of business in Prague 1 increases with the increasing number of their size (every sixth “medium-sized” enterprise with 50 to 250 employees has its principal office in Prague 1), this proportion has a decreasing tendency in the remaining territory.

The exceptional position of Prague 1 also influences the basic innovation potential of the selected area. Concentration of university capacities and, in particular, the research institutes of the Academy of Sciences of the Czech Republic (mostly focusing on humanities) in the centre of the city means that the capacity in the selected area is around one half of the citywide budget. Although a significant base of physical, technical and information research of the Academy of Sciences is located in the remaining part of the selected area (Prague 8), the imbalanced distribution in the territory for Objective 2 is remarkable.

ALLOCATION OF RESEARCH AND DEVELOPMENT FACILITIES – COMPARISON OF PRAGUE AND THE SELECTED AREA

Table no. 23

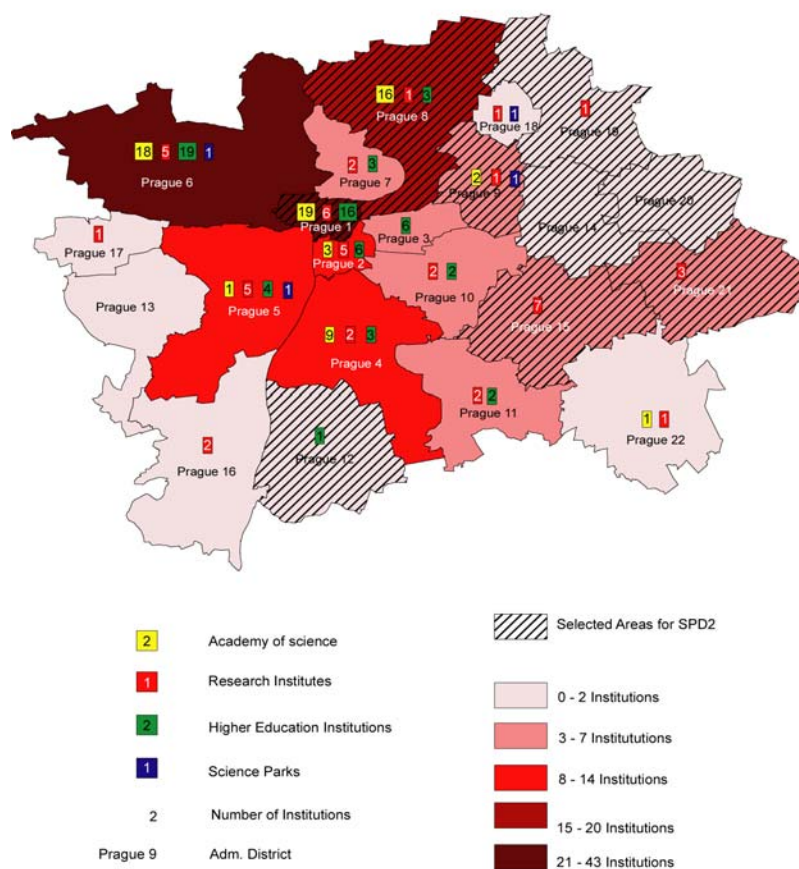
Type of facility	Prague total	Selected area			
		total	share (%)	out of which	
				Prague 1	share (%)
Czech Academy of Sciences (institute)	69	38	55	19	28
Research institutes	47	19	40	6	13
Universities (including faculties)	45	20	44	16	36
Science parks	4	1	25	0	0

Source: STR CDAS PCH

A different situation exists in respect of other research institutes, a prevailing majority of which is located outside Prague 1 but the selected area nevertheless represents an important research and development capacity (40 % in Prague). The figures indicate that one of the principal preconditions for strengthening the innovative function and development of the selected area, i.e. the existence of R&D capacities, has in principle been accomplished.

SCIENCE AND EDUCATION IN PRAGUE

Chart no. 4



Source: AS CR, BR CSO, ASTP, STR CDAS PCH

3.2.6 Housing estate environment

The need for revitalisation and regeneration of housing estates is caused not only by the uncompleted implementation of social and cultural facilities, but also by the poor technical state of a number of buildings. Other problems include public safety, a lack of parking space combined with the low level permeation of city roads, a lack of job opportunities in and near housing estates, insufficient transport links to the centre, traffic noise and pollution etc.

The selected area contains heavily populated housing estates (Severní Město/North Town, Modřany, Lhotka-Libuš, Černý Most and Petrovice) in which more than 35 % of Prague's inhabitants of high-rise estates live.

4. SWOT ANALYSIS

4.1 The position of the City of Prague in comparison with cities in Central Europe

Comparison of the City of Prague with its direct competitors – Central European as well as other European cities – indicates that Prague has recently become increasingly attractive as a place to work and to live. Prague's developmental strengths and comparative advantages include the relatively competitive cost of labour force (at least in the medium term), and the price and size of office space being offered. In respect of many criteria, Prague has received considerably higher marks than cities such as Munich, Germany, or Vienna, Austria.

On the other hand, Prague's shortage of a highly skilled labour force (in the context of international demand) is currently perceived as a problem. Prague's evaluation has also been quite unfavourable in respect of its transport and telecommunication infrastructure. The persisting absence of high-quality links to European traffic networks (rail, road), quality of the environment and, to a certain extent, the quality of transport services within the city have been identified as Prague's principal weaknesses, and therefore the city lags behind in competition with other cities in the western segment of Central Europe. (However, ratings given to cities east of Prague – for example Warsaw or Budapest have been similar or even worse).

Nevertheless, interest in locating new business activities in Prague continues to increase. Principal opportunities for development consist in the favourable geographical location of Prague and in the increasing significance of the city in the context of the enlarged European community.

4.2 SWOT analysis of the region

The SWOT analysis is focused on the social, economic, landscape, technical and ecological aspects of Prague, which are related to the selected priorities of SPD Objective 2 – the city environment and competitiveness. The factors presented concern mainly the whole city of Prague, followed by more specific analysis of the selected area. Primary factors are related to the competitive environment of Prague, supplemented by secondary factors and factors related to the selected area under Objective 2.

Primary Strengths

- Geographical position of Prague in the Central Europe.
- Exceptionally rich history and culture; unique and well-known “genius loci”.
- High attractiveness of Prague as a seat of international institutions and organisations.
- Great investor confidence in the investment stability of Prague, open business environment and a well-developed private sector.
- High interest of tourists in visiting Prague.
- Stable labour market with low unemployment rate.
- Well-functioning integrated public transport system.

Primary Weaknesses

- Existence of incomplete and dilapidated housing estates.
- Low capacity of city roads, lack of bypass routes around Prague and the inner city.
- Technical state of water management infrastructure and a shortage of infrastructure in development and reconstruction areas.
- Heavy air pollution and excessive noise pollution, mainly in the central parts of the city, principally caused by traffic congestion.
- Insufficiently developed marketing of the city.
- Difficult communication between all partners in the innovation process; mismatch between Prague-based scientific and research resources and business demand; poor utilisation of city’s innovative potential.

Primary opportunities

- Accession of the Czech Republic to European Union.
- Utilisation of Structural Funds in the Czech Republic.
- Increased position of Prague as one of the most suitable place to conduct business operations in Central-East Europe.
- Increased accessibility of Prague as a result of completion of construction of main transport corridors, and upgrading of Ruzyne Airport.
- Further growth of Information and Communication Technologies (ICT), resulting in increased number of business co-operation.
- Further openness of Czech economy, further inflow of Foreign Direct Investments.
- Increased mobility of Czech population.

Primary threats

- Loss of Prague’s attractiveness, irreversible damage to the historical urban fabric of the inner city (damage to the historical centre through insensitive rebuilding and unnecessary demolitions).
- Loss of the attractiveness of Prague due to increasing crime rates (including increased activities of international crime groups).
- Worsening macroeconomic conditions for the whole country, which have negative effect on investor’s interest in Prague.
- Weakened position of small and medium-sized enterprises as a result of the expansion of international companies.
- Lack of investment in the transport corridors (TENs) resulting in decreased accessibility of the city.
- Possible “brain drain” towards current EU-15.

SECONDARY FACTORS

STRENGTHS	OPPORTUNITIES
The city environment	
<ul style="list-style-type: none"> • Rich potential of both the city and suburban landscape with the outstanding phenomenon of the river Vltava; a relatively significant proportion of water area and woodlands within the city region. • Widespread utilisation of more ecological fuel and district heating systems, gradual overhaul and redevelopment of the energy network. • Sufficient mid-term capacity of most of the main elements of infrastructure, residential areas almost fully served by water and sewer system facilities. • Sufficient space both within and around the city for securing its functions and development. 	<ul style="list-style-type: none"> • Interest of the private sector for investments in new city centres (as a basis to transform to a polycentric city structure and alleviation of the centre). • Gradual implementation of the Prague ring road project, guaranteed by the State. • The ongoing process of renovation of prefabricated housing estates. • Implementation of flood protection measures outside the territory of Prague. • increasing degree of environmentally friendly sources of energy in connection with the Czech Republic's accession to the EU. • Increasing demand for recreation and sport (with preference to natural environment), cultural life and entertainment.
Competitiveness of business	
<ul style="list-style-type: none"> • Above-average level of skills of the labour force and large potential for science and education. • Favoured structure of economy (high share of services). • High level and fast speed of implementation of modern information and communication technologies in private sector and in the city administration. • Good capacity of conference facilities and accommodation. • Relatively good base of data networks suitable for further development of information society. 	<ul style="list-style-type: none"> • Improved transfer of technology and know-how (development of technology centres), larger involvement of Prague-based scientific and research facilities in addressing city development issues. • Czech Republic's involvement in the European action plan eEurope as an opportunity to obtain access to state-of-the-art IC technologies. • Utilisation of input and know-how from EU countries and from Europe-wide forecasts while updating and supplementing the city's strategy and implementing programmes for the development of the Prague economy. • Rise in the quality of partnerships between Prague and other parties (private sector, non-profit organisations etc.). • Utilisation of the well-qualified and flexible labour force and its comparative advantage for Prague's increasing competitiveness (e.g. competitive wages). • Marked improvement in the integration of socially disadvantaged groups, and the

	creation of equal opportunities on the Prague labour market.
Factors specifically related to the eligible area	
<ul style="list-style-type: none"> • The historic, architecturally valuable core of the Prague heritage conservation area. • Ecological, recreational and aesthetic potential of some parts of the area (i.e. a relatively dense network of watercourses and water surfaces and, in certain parts, large park and woodland complexes). • Ample development sites. • Sufficient availability of skilled labour force. 	<ul style="list-style-type: none"> • Improvement of the quality of the environment. • Enhancement of the socio-economic value of the area (including an increase in the number of new job opportunities) by means of overall revitalisation of “brownfields”. • Physical and functional regeneration of the residential environment in housing estates with emphasis on increasing the supply and quality of services, public amenities and recreational activities and the supply of work opportunities. • Completion of new city centres. • Utilisation of the recreational potential of the area (including embankment sites and watercourse environs). • Development of business and general revitalisation of the economic base (using some of the science, research and consultancy organisations based directly in the selected area). • Creation of a favourable climate for investors, which, however, must not be at odds with the objective needs and limits of the city.
WEAKNESSES	THREATS
The city environment	
<ul style="list-style-type: none"> • Uneven distribution of functions (job opportunities) throughout Prague resulting in high demands on passenger transport. • General overburdening of the centre, particularly of the historical centre of Prague (by transport, functions of city-wide and higher importance, trend to locate new buildings and commercial activities in centre). • Insufficient treatment of wastewater, excessive pollution of watercourses. • High demand for energy in Prague. • High crime rate, high level of vandalism and low level of environmental awareness among a part of the population. 	<ul style="list-style-type: none"> • Insensitive sub-urbanisation (construction of new commercial and warehouse buildings or housing estates separated from the historical and spatial context of the area and without links to the existing infrastructure), • Insufficient co-ordination between Prague and the surrounding Central Bohemia region in spatial planning of the Prague agglomeration. • Lack of investment in the interconnections of the city with higher-level transport infrastructure and in local transport infrastructure. • Collapse of important functional systems as a result of unreliably functioning technical infrastructure. • Further growth in private car use (increasing pressure on local road network) at the

	expense of public transport.
Competitiveness of business	
<ul style="list-style-type: none"> • Ineffective utilisation of certain production facilities as a result of fast industrial transformation and reduction in production capacity. • Incomplete institutional structure for co-ordination between the city administration, business associations and potential investors, • Little utilisation of national support programmes for small and medium-sized enterprises, insufficient quality of business network operations. • Falling employer interest in training schemes for young people in the industrial sector. • Insufficient utilisation of initial and further education possibilities. • Limited choice of retraining and resocialising programmes, incomplete conception of life-long learning. • Insufficiently developed integration of groups threatened by social exclusion. • Ineffective implementation of certain major development projects concerning Prague and the neighbouring region of Central Bohemia. • Insufficient application of ICT by households, scarce utilisation of broadband access. • Lack of co-ordination of information society actions and imbalanced development of information infrastructure. • Low level of integration of software solutions in city administration, insufficient extent of exchange of data between city administration and third parties. • Low quality of tourism services. 	<ul style="list-style-type: none"> • Exhaustion of the city's financial capacity for solving its most urgent needs, insufficient assistance from the state and private sector. • Lack of investor interest in revitalizing brownfield sites. • Limited spread of innovations generated in Prague to the other parts of the country. • Overestimation of short-term economic effects at the expense of the long term sustainability. • Insufficient utilisation of strategic services to maintain the rate of development of the information society. • Continuing lack of initiatives from national authorities to explore the potential of the Prague for the rest of the country (a spill-over effects). • Increasing share of Prague population of retirement age, decline in the Prague-based labour force and migration. • Lack of integration of socially excluded groups, growing xenophobia and expressions of racism.
Factors specifically related to the eligible area	
<ul style="list-style-type: none"> • Existence of extensive devalued or inappropriately utilised sites and a large number of ecological burdens (particularly within industrial sites). • Urban inconsistency and incompleteness of a significant portion of the selected area. 	<ul style="list-style-type: none"> • Lack of interest on the part of suitable investors. • Overall economic recession, which hampers (among other things) the revitalisation of the economic base and the renovation of "brownfields" (including related

<ul style="list-style-type: none"> • Heavy air pollution and noise pollution. • Disproportionate provision of fast and environmentally sound transport services (underground, railways). • Lack of a terminal for suburban transport from the north part of the Central Bohemia region. • Heavy through-traffic within residential areas without the possibility of using bypass routes. • Outdated and inadequately functioning infrastructure. • A deficit of sufficient resources for treating wastewater. • Inadequate flood protection of the area. • High crime rate (particularly in Prague 1). 	<p>infrastructure).</p> <ul style="list-style-type: none"> • Increased or maintained burden of automobile through-traffic (mainly in the entire central zone of the specified area). • Increasing social segregation and population decline (not only) in housing estates. • Adverse trend in demographic structure. • Continuing insufficient coordination of development goals with the Central Bohemia region.
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5. STRATEGIES AND PRIORITIES

5.1 Introduction

In 1999 – 2000, under the guidance of the Steering and Monitoring Committee of the Prague Region and on the basis of an assignment from the European Union and, consequentially, the relevant Czech ministries, documents were drawn up which became a basis for the preparation of comprehensive national documents, in particular the National Development Plan. These were the Development Strategy for the Prague Region, the Regional Operational Programme for the Prague Region (the "ROP") and the Consultation Document to the ROP. These documents were essential for negotiating certain EU accession chapters, notably the chapter on Regional Policy. Their contents were based on strategic documents which were drawn up during the second half of the 1990s and adopted by the political representatives of Prague – primarily the Prague Strategic Plan which was approved by the Prague Municipal Assembly on 25 May 2000 and its implementation programmes for the years 2000–2006.

In July 2001, under Resolution No. 470/2001, the Government of the Czech Republic approved the National Development Plan and, at the same time, elected to update and complete the regional operational programmes. In the case of Prague, however, it was decided, on the basis of consultations with the European Commission, to change the support objective from Objective 1 to Objective 2 and, where appropriate, Objective 3 and to transform the current Regional Operational Programme for the Prague Region into a Single Programming Document. The main reason for adopting a different approach to Prague is the fact that, unlike other NUTS 2 regions in the Czech Republic, the capital city does not satisfy the basic condition for being included under Objective 1, i.e. "Promoting the development and structural adjustment of regions whose development is lagging behind" – low volume of regional GDP in comparison with the EU average. By being excluded from Objective 1, Prague is limited in its possibilities as regards the application of certain city projects within sectoral operational programmes, i.e. the programmes of individual ministries. The Czech Republic is therefore seeking to ensure that Prague obtains support under Objective 2 ("Support for the economic and social conversion of regions facing structural problems") and Objective 3 ("Support for the adaptation and modernisation of education, training and employment strategies and systems"). Utilisation of these resources covers the period 2004 to 2006, i.e. after the Czech Republic's accession to the EU. Under Resolution No. 102 of 23 January 2002, the Government assigned individual guarantors to complete the preparation of essential programming documents for the utilisation of the Structural Funds.

The financing of projects under Objective 2 from the EU Structural Funds requires that suitable priorities and programmes are selected, justified in a far more substantial way and, in particular, presented with more detailed territorial specifications than was the case with the ROP. Preparation of the SPD requires co-operation between the specialised components of the city administration and other partners, in addition to the utilisation of Prague strategic and implementation documents approved by the city's self-governing bodies. In order to obtain possible subsidies under Objective 2 and/or Objective 3 in the above-mentioned period, it will be necessary to verify thoroughly the specific potential of Prague, particularly when addressing problems relating to the city's environment (especially areas where there is an anticipated change in functions and Prague's large housing estates), support for small and medium-sized enterprises, the securing of Prague's innovative role for the needs of the city and the country as a whole, etc.

On 11 September 2001 the Prague City Council (under Resolution No. 1488) commissioned the City Development Authority Section of Prague City Hall to secure the preparation of SPD Objective 2, and set out a framework procedure for tasks and for negotiations among the city's representative bodies regarding specific outcomes. A Council committee was set up with a view to providing expert supervision and co-ordination of the preparation of the two documents. This committee comprises political representatives of the city, the client (i.e., the Ministry for Regional Development), the programme drafters (i.e., the City Development Authority) and other bodies and organisations (the Commission for the Preparation of the Single Programming Document).

5.2 Development strategy for the region

The strategic vision for development of the City of Prague, as set out in the Prague Strategic Plan, draws on the city's strengths, in particular its uniqueness, spiritual and cultural tradition, exceptional natural and urban values, economic and human potential and advantageous position in the heart of Europe, as well as its good name and the current wave of investor interest:

- Prague is endeavouring to become a successful, competitive and respected city with a strong and modern economy; a city that ensures a good standard of living to its inhabitants, has a prosperous business sector and has the financial resources needed to implement public projects.
- Prague wants to be an attractive city and is doing its best to satisfy the needs of its inhabitants and visitors alike. It is determined to ensure a good quality of life of the city as an attractive, safe and well-balanced community that offers equal opportunities to all.
- Prague wants to create a high quality natural and urban environment while respecting the principles of sustainable development. It seeks to markedly reduce the current ecological burdens and achieve a balance between housing structures and landscape so as to become a city that is clean, healthy and harmonious.
- Prague will to modernise, develop and run the transport and technical infrastructure so that it supports the proper functioning of the city and its economy, its ambitions and development as a whole. It should be on a par with current technical advances and operate reliably, efficiently and be kind to the environment.
- Prague wishes to be a city with a dynamic and welcoming administration system, efficient in providing services and upholding public interest. It wants to be effective in its co-operation with other entities based on partnership principles that will enable third parties to do business whilst also supporting public involvement in the management and development of the municipality.

In the Prague Strategic Plan, these major strategic goals are further elaborated within a framework of specific objectives, policies and programmes.

On the basis of the core strategy and in compliance with the policy statement of the Prague City Council for the 1998-2002 electoral period, the following strategic priorities were set out as being key to achieving the city's long-term development policy for the 1999-2006:

- Prague integration into the European structures;
- Prague - a centre of innovation with a well-qualified workforce;
- Support for the housing market and housing availability;
- Reliably functioning and environmentally sound transport;

- Economical and sustainable management of energy, water and other resources;
- Improving the quality of the city administration;
- The transition to a polycentric city structure.

Of the above 7 strategic priorities, the ones that were selected for the preparation of SPD Objective 2 were those which, with the assistance of EU funds, could most effectively contribute to the achievement of the city's strategic development goals. The main priorities relate to the technical and transport infrastructure and Prague's innovative role with a view to improving its competitiveness. These areas of activity are united by a common task – to improve the quality of the specified area and, in so doing, to substantially achieve the priority of transition to a polycentric city structure.

5.3 Overall objective of SPD Objective 2

The following themes derive from the SWOT analysis, to be taken into account in the SPD strategy:

- maintaining and improving Prague's position in competition with other Central European cities,
- improving the quality of the city environment (cleaning up of water courses and their embankments, development and upgrading of greenery and recreational areas, stricter urban spatial planning),
- improving the quality of public transport in the supported areas,
- regenerating public space in dilapidated large housing estates in Prague,
- balancing the socio-economic differences between individual parts of the city,
- exploring the potential of science and research facilities, education and qualification of the city's labour force to generate innovations,
- a more intensive utilisation of the benefits of "knowledge-based" society for the city's functions,
- enhancing of co-operation of activities between private and public sectors.

Based on themes and taking into account the elements of the vision adopted in Prague Strategic Document, the following overall objective of the SPD is proposed to be:

“Enhancement of the competitive position of the city of Prague through a better utilisation of urban space, and improvement of the innovative business and human environment”.

Prague has to secure its long-term development by eliminating its most serious weaknesses, while building on the basis of its strengths. It should be done by improving the quality of the city's environment, and by developing the city's existing innovative potential. This will fulfil Prague's role as a dynamic metropolis in Central Europe.

The following intervention areas are identified for achieving the overall objective:

- transformation and improvement of the city environment (revitalisation of brownfield sites, public amenities and technical infrastructure) in order to foster local development of threatened communities (e.g. in large housing estates),
- upgrading of small scale transport linkages (including public transport) in order to improve the accessibility of the selected area,

- improving the business environment and the co-operation mechanisms between business (SMEs) and know how institutions (schools, R&D facilities, incubator centres) in the area.

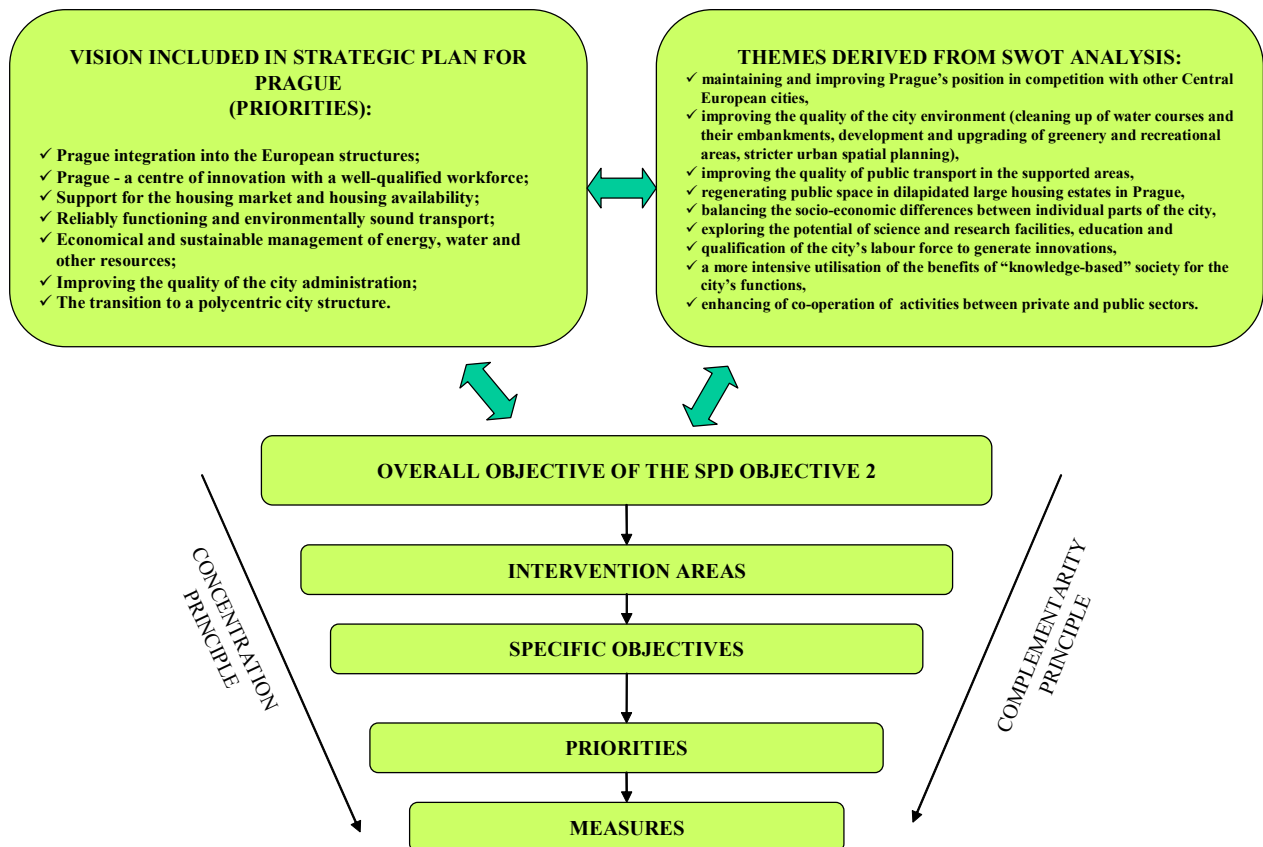
Prague possesses many advantages for growth of competitiveness, and for improving its position in comparison to other cities in Central Europe (e.g. Vienna, Budapest, Munich and Warsaw). Among Prague’s positive features also are: relatively low labour costs, and the supply and costs of office and other business space. On the other hand, Prague needs to improve its supply of skilled labour (which is much in demand), improve the connections with European routes, and increase the quality of its telecommunications systems.

It is also useful to think of the SPD Objective 2 for Prague in zones: selected area – the city – other regions and the Czech Republic – Central Europe (the European Union).

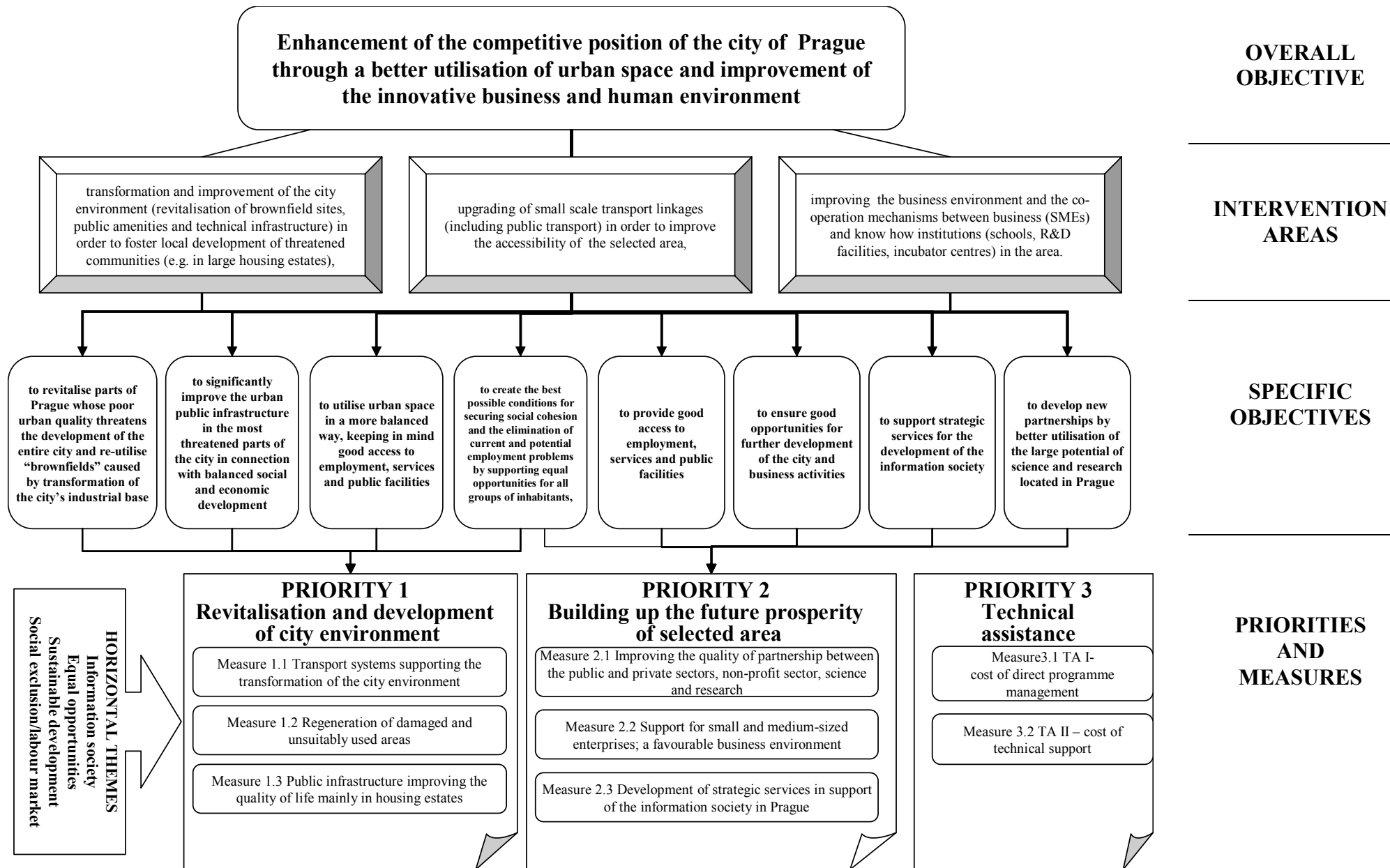
Prague is a gateway and an important development base for the Czech Republic as a whole. That underlines that investments made in the region – from the city, state or EU funds – will have a positive effect not only on the city itself but on its hinterland as well. The relationship between Prague and the surrounding Central Bohemia Region, for which Prague is a natural centre and with which it intends to co-operate on a number of joint projects, must be raised to a higher level.

The relation between SWOT analysis, overall objective, specific objectives and priorities and measures is illustrated in the following charts:

Chart no. 5



Source: EC, MRD, City of Prague



Source: EC, MRD, City of Prague

5.4 Context indicators and quantification of the overall objective

Context indicators

Context indicators were set up at the programme level characterising the environment in which the programme activities will be realized. Baseline values of context indicators will be compared to new values at the end of the programme period to identify social-economic environment changes.

Indicator	Measuring unit	Baseline (2002)	Target value (2006)	Source
Prague GDP per capita (measured in purchasing power parity)	€	30 667 (2001)		The Czech Statistical Office
Unemployment rate in Prague	%	4.0		The Czech Statistical Office
Share of specific age groups in total Prague population:				
0 – 14 years	%	13.1		The Czech Statistical Office
15 – 59 years		70.8		
60+ years		16.1		
Share of public transport in Prague	%	58		Institution of transportation engineering of the City of Prague
Number of passengers in Prague public transport	annually	1 096 mil.		Institution of transportation engineering of the City of Prague

Global indicators

The overall progress of the programme will be monitored on the basis of the following indicators of the selected area:

Indicator	Measuring unit	Baseline (2001)	Target value (2008)	Source
The total annual migration balance of the population (net difference between immigration to and migration from) in the Objective 2 area (expressing rate of citizens' satisfaction with living conditions and the environment in the	Number of inhabitants	Decrease by 1 674 inhabitants	Slow the decrease to 900 inhabitants	The Czech Statistical Office

selected area)				
Percentage of population (of the Objective 2 area) commuting to work or schools, with travel time shorter than 29 minutes	%	48.3	51.5*	The Czech Statistical Office, ROPID
Number of new net jobs created in the Objective 2 area as a result of implementation of the measures under SPD Objective 2	Number of jobs	0	300	Prague City Hall

* - based on sample survey and verified on the basis of new Census 2011

5.5 Description of priorities and measures

One of the leading principles in selecting the priorities was the complementarity principle. Priorities have been selected with a view to increase the effectiveness of projects that the region intends to implement or is already implementing, either from its own or EU resources (e.g. from the European Investment Bank). The second leading principle was the concentration principle, taking into account intervention areas, priorities and measures are focused on the most threatened areas, in which support should be intensified.

The following priorities have been defined:

Priority 1 – **Revitalisation and development of the city environment**

Priority 2 – **Building up the future prosperity of the selected area**

Priority 3 – **Technical assistance**

TOTAL COSTS AND AMOUNT OF SUPPORT FROM THE STRUCTURAL FUNDS BY PRIORITIES FOR THE PERIOD 2004 – 2006 (in €)

Table no. 24

Priority	Total cost	% share	Amount of SF	% share
Priority 1	107,240,254	75.2	53,620,127	75.2
Priority 2	31,793,358	22.3	15,896,679	22.3
Priority 3	3,557,188	2.5	1,778,594	2.5
Total	142,590,800	100.0	71,295,400	100.0

Source: MRD, PCH

The core of the programme focuses on regeneration of the environment and elimination of barriers and negative features, which hinder the economic development of the selected area. Therefore, 75.2 % of the financial resources will be allocated to priority 1. Priority 2 is complementary, based on exploiting the economic strengths and opportunities in the selected area; the financial allocation amounts to 22.3 %. The remaining 2.5 % will be allocated to technical assistance.

5.5.1 Priority 1 - Revitalisation and development of the city environment

This priority will create conditions for the sustainable development of the city and to improve its environment and to revitalise abandoned sites and space, in particular industrial. Bringing urban services closer to residential areas and establishing new full-scale city centres are objectives that are being pursued by this priority via regulated city development and gradual completion of monofunctional housing estates. An important prerequisite for creating economic activities in the specified areas is the solution of problems concerning transport and technical infrastructure. In order to improve the quality of the environment, it is necessary to co-ordinate the transformation of the city environment with the development of rail transport and the implementation of bypass routes (Prague ring road and city ring road) and park & ride facilities. Improvements in the quality of the city environment should also involve improvements in the social environment, including measures that address crime prevention. URBAN-type activities will be also implemented under this priority in order to create synergy effect with activities implemented under the SPD Objective 3 (especially in Priority 2 Social inclusion and equal opportunities).

This priority pursues the following specific objectives:

- to revitalise parts of Prague whose poor urban quality threatens the development of the entire city and re-utilise “brownfields” caused by transformation of the city’s industrial base,
- to significantly improve the urban public infrastructure in the most threatened parts of the city in connection with balanced social and economic development,
- to utilise urban space in a more balanced way, keeping in mind good access to employment, services and public facilities,
- to create the best possible conditions for securing social cohesion and the elimination of current and potential employment problems by supporting equal opportunities for all groups of inhabitants.

Assessment of specific objectives

Impacts	Baseline	Target	Source
Number of new net jobs created in the Objective 2 area as result of implementation of measures under priority 1 of SPD 2 (2004-2008)	0	100	Prague City Hall, monitoring of projects
Share of the length of water courses significant for water management in in the Objective 2 area, categorised as class IV and class V quality surface water pursuant to CSN 75 7221 standard (“strongly polluted” and “very strongly polluted” water)	78.1 %	65 %	Prague City Hall, monitoring of projects
Results			
New (induced) investments in supported housing estates and the area being regenerated	0	8 mil. €	Prague City Hall, monitoring of projects
Number of users (entities) connected to new features of technical infrastructure (depending on the choice of the territory to be regenerated, such connection will be to sewerage or water treatment systems or supply of drinking water, electricity, natural gas or heat)	0	500	Prague City Hall, monitoring of projects
Flood-protected area	0.5 km ²	0.7 km ²	Prague City Hall, monitoring of projects

Reduction in travel time due to a new or improved feature of the city transport system	100 % *	- 15 %	Prague City Hall, monitoring of projects
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Outputs

Number of supported projects of regeneration of city areas (regenerated area - depending on the demands of regeneration)	0 (0)	8 (0.5 to 1 km ²)	Prague City Hall, monitoring of projects
Number of supported projects involving new features of technical infrastructure (closed circuit TV system, small-scale flood-protection measures, and further depending on the choice of area to be regenerated, these will include projects for sewerage and waste water treatment or supply of drinking water, electricity, natural gas or heat)	0	10	Prague City Hall, monitoring of projects
Number of supported city transport building or improvement projects (anticipated types of projects and their quantification are set out in detail in the programme complement)	0	2	Prague City Hall, monitoring of projects

* baseline travel time of a transport relation depending on the selected project

Measure 1.1 Transport systems supporting the transformation of the city environment

Rationale and background

The scope of this measure is to increase the quality of transport service focussed, in view of environmental concerns and the implementation of the objectives of SPD 2, mainly on rail transport and availability of this service in areas that should undergo fundamental regeneration. Prague has been vigorously supporting public (especially rail) transport on a long-term basis and seeks to alleviate the pressure of automobile transport on local street network by gradually constructing bypass routes. Other improvements in the city's transport services will also be provided for under this policy.

Rail transport has been organised and developed within the Prague Integrated Transport System, which serves the City of Prague and a significant portion of the neighbouring region of Central Bohemia. However, there is still a need for improvement in transport linkages in the selected area, in order to mitigate the negative impact of traffic congestion on the environment.

The measure thus provides opportunities for small and medium scale projects, in contrast to key transport infrastructure building projects in the city – underground segments, city ring road and bypass communication route, the investment costs of which are in the range of hundreds of €.

Objectives

This measure meets the specific objectives of the SPD Objective 2 by aiming to:

- improve the transport services and accessibility in the eligible area,
- make it more attractive to Prague's residents and visitors to use public transport services,
- improve the management of automobile transport on local street networks.

Indicative activities

Examples of possible projects are:

- transfer (transit) terminal of the Prague Integrated Transport System with a link to rail transport,

- high-quality links to the Prague bypass route (making use of segments of the Prague ring road and the city ring road), including park & ride and public transport,
- small-scale project of tram network development,
- project ensuring that preference is given to surface mass transport (to improve the quality of transport services and reduce the transit time),
- connecting roads to regenerated brownfields,
- park & ride development project,
- improving access to job opportunities from residential locations (including bicycle paths).

Target groups

- Residents and visitors of Prague
- Business sector
- Commuters to Prague, in particular residents of the Central Bohemia region
- Transporters and drivers transiting through Prague

Envisaged final beneficiaries of financial support

- The City of Prague (Prague City Hall – City Investment Department)
- Dopravní podnik hl. m. Prahy, a. s. (Prague Transport Company)
- Technická správa komunikací hl. m. Prahy, (Technical Authority for Prague Communications)
- Other organisations established and founded by the City of Prague

Measure 1.2 Regeneration of damaged and unsuitably used areas

Rationale and background

One of the major problems facing Prague is the large number of dilapidated, damaged and unsuitably used areas (brownfields). The possibilities to use areas in flood zones or locations with insufficient technical infrastructure are also limited. At the same time there is growing pressure to construct new buildings in non-built up areas. This is not a desirable trend, particularly in and near areas of natural or historical value. Many neglected areas are suitable for development, but remain unused for various reasons. Their urban and economic potential therefore remains untapped. The regeneration of brownfields has to be linked to the development of job-creating economic activities. Regeneration activities can also extend to sites for whose further use is unknown, but which present a current danger to the environment and which hinder economic development. The transformation of these areas would be facilitated by integrated development plans and relevant urban-architectural documentation, a resolution of property rights of land and buildings, the elimination of past ecological burdens (including former and unauthorised “live” waste dumps), and the construction or completion of needed infrastructure. High-quality and environment friendly infrastructure is indispensable for full regeneration of brownfields.

Financial support will not cover investments in residential buildings or the service mains in such buildings. The development of greenfield sites will not be supported; in case of regenerated sites there should also be clear evidence of a market failure in achieving the proposed development.

With regard to existing industrial and manufacturing sites in the selected area intended for transformation, the master plan contemplates their functional conversion to sites with mixed functions of a different nature, providing they contribute to job creation and/or economic

development. Where the party responsible for an environmental burden will be known, the “polluter pays” principle will apply.

Preparation of the area for future development will require the involvement of the private sector on the basis of the principle of co-operation between public and private sectors.

In case when refurbished site will be sold to private investor, article 29.4 (a) of the Regulation may apply (substantial net revenue generating project). If site is sold below the market price, state aid is involved; this type of aid may have to be notified.

Objectives

This measure meets the specific objectives of the SPD Objective 2 by aiming to:

- the overall revitalisation of “brownfields”, increase their attractiveness for investors, citizens and visitors, contribute to economic potential and urban upgrading,
- improve the environment in and near revitalisation sites,
- reduce the pressure for the construction of new buildings in or near areas of natural or historical value,
- support for expansion and rehabilitation of green areas in the city,
- eliminate or alleviate any adverse impacts of non-existent or insufficient technical infrastructure on the environment.

Indicative activities

Possible activities include the functional and spatial revitalisation of the selected sites whose physical state and current utilisation do not correspond to the position, potential or overall character of the area. Examples of possible projects are:

- revitalisation of large-scale sites with significant ecological burdens (mostly abandoned industrial sites),
- revitalisation of sites important for the development of new city and district centres,
- revitalisation of water courses.

This measure may also involve complementary small-scale projects securing protection of areas threatened by floods (for purposes of comprehensive management of flood protection, the City of Prague considers applying for a contribution from the EU Cohesion Fund).

Target groups

- Residents and visitors of Prague
- Business sector, in particular SMEs
- Administrators and operators of technical infrastructure and water courses
- Commuters to Prague (to work and for services), in particular inhabitants of the Central Bohemia region
- Administrative institutions of the City of Prague and city boroughs; organisations founded, established and authorised by the city (city boroughs)

Envisaged final beneficiaries of financial support

- The City of Prague (Prague City Hall – City Investment Department and Commercial Department) and the selected city boroughs
- Organisations founded and established by the City of Prague

Measure 1.3 Public infrastructure improving the quality of life mainly in housing estates

Rationale and background

This measure relates to URBAN-type activities, which according to further indicative guidelines for the candidate countries⁷ may be included into Objective 1 or 2 programmes. The basic challenge of this measure is to change the predominantly monofunctional housing estates and to improve the quality of life in these neighbourhoods. This measure should reduce the danger of social degradation and, subsequently, improve the quality of technical infrastructure. Upgrading of public infrastructure will be combined with an expansion of services, public amenities and job opportunities, based on the needs of local residents.

The measure will also involve building any missing and renovating the existing technical infrastructure and installing technical means for increasing security in the city. The measure should also deal with improving the state of greenery, expanding green areas and, in general, strengthening the ecological potential of the environment.

One of the principal aspects in assessing the individual projects will involve the public-private partnership principle in order to consolidate financial resources. The financial support will not cover investments associated with the construction, renovation or modernisation of residential buildings.

Objectives

This measure meets the specific objectives of the SPD Objective 2 by aiming to:

- utilise urban space in a more balanced way to improve access to employment, services and public facilities,
- create a high quality city environment and promote further development of business activities,
- improve public infrastructure in residential areas to increase the attractiveness of the area,
- eliminate or alleviate negative impacts of non-existent or insufficient technical infrastructure on the environment,
- create the best possible conditions for securing social cohesion and eliminate current and potential employment problems.

Indicative activities

The activities may include:

- projects expanding the offer of job opportunities, services and public facilities in the selected housing estates and their vicinity,
- projects supporting social inclusion which enhance sport, recreation and community development,
- projects improving the condition of the greenery or expanding the green areas in the selected housing estates and their vicinity (revitalisation of public spaces),
- projects upgrading with emphasis on safety and security (e.g. lighting, CCTV).

Target groups

- Inhabitants of Prague, mainly of the selected housing estates
- Business sector, in particular small and medium-sized enterprises

⁷ Communication from the Commission (COM (2003) 110 final)

- Commuters to Prague (for services, culture or work), in particular inhabitants of the Central Bohemia region
- Administrators and operators of technical infrastructure and water courses
- Non-profit sector

Envisaged final beneficiaries of financial assistance

- The City of Prague (Prague City Hall – City Investment Department and Property Management Department) and the selected city boroughs
- Organisations established and founded by the City of Prague and by city boroughs
- Non-profit sector

5.5.2 Priority 2 – Building up the future prosperity of the selected area

Prague’s profile as a good economic partner is a basic factor for increasing its competitiveness, not only at regional but also at international level.

Prague, as one of the important economic regions in the EU accession countries, intends to contribute to the implementation of the Lisbon Strategy. *The Lisbon Strategy for Economic, Social and Environmental Renewal, March 2000*) was discussed by the Czech Government in March 2003; the conclusions are available in the Report on the Current Status of Implementation of the Goals of the Lisbon Process in the Czech Republic. The country will also take part in implementation of the Communication from the Commission “Industrial Policy in an Enlarged Europe”, COM (2002) 714 final.

The quality of city marketing and promotion on the business environment has not yet been sufficiently developed in Prague. In addition, the innovative potential of the region has not been fully exploited. The business sector continues to underestimate the effects of co-operation with research and development institutions of the region (see the findings of surveys conducted as part of the BRIS). New forms of partnerships should therefore aim at coordinating the actions and exchange of information between the public and private sector, and at strengthening the co-operation between the manufacturing sector and the science, research and educational institutions in Prague.

Activities will focus on encouraging the economic and social actions in the eligible area, to ensure that such area becomes a fully integrated into the economy of Prague. There will also be focus on Prague’s links with the surrounding region of Central Bohemia (which has the lowest regional GDP in the Czech Republic), for example in the field of the food processing industry, or in tourism. Special support activities will be developed for small and medium-sized enterprises, whose performance depends on well-functioning support networks. The SMEs specific role as a vital engine for innovation will be strengthened by projects designed to utilise new “know-how”, and faster technology transfer. The development of strategic services and products for the development of an information society will be an important area of support for the business sector, and NGOs as well as for the public sector.

Actions under this priority will be developed and implemented in close co-operation with the projects under priority 1 to create linkages in the regenerated area.

An important role will also be played by the SPD Objective 3 in the sphere of human resources development, particularly in areas such as active employment policy, social integration and equal opportunities, life-long learning, and adaptability and entrepreneurship.

The direct support for SMEs will be in form of investment projects, but also in the form of “soft aid” such as loans and guarantee funds, consultancy and marketing services.

The key indicators to assess the implementation and success of this priority will include quantifiable evaluations (number of businesses involved, scope of joint projects, number of new and retained jobs etc.) and qualitative assessment, either in aggregated form or as comparative commentaries.

This priority pursues the following specific objectives:

- to provide good access to employment, services and public facilities,
- to ensure good opportunities for further development of the city and business activities,
- to create the best possible conditions for securing social cohesion and the elimination of current and potential employment problems by supporting equal opportunities for all groups of inhabitants,
- to develop new partnerships by better utilisation of the large potential of science and research located in Prague,
- to improve the business environment, particularly for SMEs in the area of technology transfer and innovative forms of business co-operation,
- to support strategic services for the development of the information society.

Assessment of specific objectives

Impacts	Base Line	Target	Source
Number of new net created or safeguarded jobs as a result of implementation of supported activities and projects (2004-2008) - of which new jobs created in housing estates	0	200 80	Prague City Hall, monitoring of projects
Share in total number of SMEs that received support and are still operating 18 months later ("survival" rate)	0	75 %	Prague City Hall, monitoring of projects
Population who regularly use internet	(21.7) *	35 %	Statistical survey

Results

Number of new gross created jobs as a result of implementation of supported activities and projects (2004-2008)	0	300	Prague City Hall, monitoring of projects
Number of new SMEs created as a result of supported actions	0	40	Prague City Hall, monitoring of projects
Number of spin-off companies (increase)	0	10	Prague City Hall, monitoring of projects
Share of households with Internet access in the eligible area	10 %	20 %	Czech Statistical office
Increase in the share of entities using the Internet for contact with public administration authorities			Statistical survey
individuals	**	by 80 %	
businesses	**	by 100 %	

Outputs

Number of supported participants in projects of partnership between the public and private sectors and research and development	0	70	Prague City Hall, monitoring of projects
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Number of supported SMEs	0	85	Prague City Hall, monitoring of projects
Number of supported projects of development and application of information technologies (including number of supported projects of development and application of information technologies in the city administration)	0	20 (5)	Prague City Hall, monitoring of projects
Increase in “entries” to the websites of city administration (monthly average)	54,000	68,000	Prague City Hall
Surface of new business sites / centres	0	1,500 m ²	
Number of new / upgraded R + D facilities (new incubators, science parks etc.)	1	2	

* the baseline is a figure for the whole Czech Republic (based on a statistical survey conducted by CSO); the baseline for Prague will be determined as a result of statistical survey (2004, first quarter)

** baseline will be stated as a result of statistical survey (2004, first quarter)

Measure 2.1 – Improving the quality of partnership between the public and private sectors, non-profit sector, science and research

Rationale and background

Prague’s profile as a good economic partner is a basic factor for increasing its competitiveness, not only at regional but also at supra-regional (international) level.

The enlargement of EU offers new opportunities, which should be utilised by Prague (e.g. increased inflow of tourists, FDI, increased business co-operation possibilities etc.). Prague will have to exploit better the extensive science, research and development potential which is located in the city territory. Due to agglomeration effect, Prague is already creating a favourable environment for creation and dissemination of innovations, which at a later stage should spread over the whole Czech Republic. The focus will be on securing information links within the newly established communication networks, on joint projects and on the creation of an institutional framework for monitoring the city’s development problems and finding joint solutions. Activities will concentrate on the establishment of new technology and science parks, of incubators, of innovation centres and of consultancy centres.

An important issue will be to establish relations with R+D institutions in the other cohesion regions to set up a comprehensive, national network of R+D institutions.

Beside aspects of sustainable development, the city will pursue the objective of growth by utilising better the potential of the information society, whose success will be facilitated by good partnership between all parties involved.

The partnership principle will be one of the most relevant factors for assessing and selecting projects in order to generate the best possible effect for the city. This will be true especially in cases of consolidation of funds, or in relation to multisectoral preparation and implementation of projects.

Objectives

This measure meets the specific objectives of the SPD Objective 2 by aiming to:

- promote partnership as the basic principle of co-operation between the public, private and non-profit sectors for the implementation of the development plans of the eligible area (and the whole city),
- activate the large science, research and development institutions and connect them with all other public/private sector interests in the city,

- prepare conditions for exploiting further Prague's potential within the enlarged EU.

Indicative activities

Support will be provided for creation or development of innovative centres and other facilities in the eligible area. Research projects in universities and research institutes aimed at co-operation with SMEs will also be included in this measure. Cluster-building activities (establishment of networks of information and communication structures, networks of innovative firms) will also be assisted.

Target groups

- Business sector and business associations
- Research and development organisations (universities, the Academy of Science, other research facilities)
- Administrative institutions of the City of Prague and city boroughs; organisations founded, established and authorised by the city (city boroughs),
- Non-profit sector
- Inhabitants and visitors of Prague

Envisaged final beneficiaries of financial assistance

- The City of Prague and the selected city boroughs (Prague City Hall, city borough authorities)
- Organisations established, founded and authorised by the City of Prague
- Entrepreneurs (mainly SMEs); professional associations
- Specialised advisory and mediation entities (e.g., regional development agencies, innovation centres)
- Research and development organisations (universities, the Academy of Science, other research facilities)
- Non-profit sector

Measure 2.2 – Support for small and medium-sized enterprises; a favourable business environment

Rationale and background

Small and medium-sized enterprises contribute to the dynamism of the urban economy. They play a vital role in revitalisation of any area in reconversion. SMEs sector possesses the ability to adapt to a changing environment, and to create a better social structure. Despite Prague's good performance in comparison with other cities in the EU, there still exist sectors where productivity and efficiency are low. In order therefore to promote activities leading to creation of new cutting-edge technology sectors, SMEs will be supported as one of the most relevant engines in the innovation process. The support will result in strengthening the city's economic base, including an increase in the number of new job opportunities in the area, and will also lead to an increase in competitiveness of the whole city. They will also facilitate building networks and progressive forms of business collaboration, including the strengthening of industrial and commercial associations, and of co-operation chains. Apart from direct investment support, "soft aid" to individual firms will also aim to facilitate swift adoption of innovations (new technologies, hi-tech production etc.). To improve the access of SMEs to financial markets, loan and guarantee funds will be as well part of support under this measure.

The outputs of the BRIS project supported by the European Commission will be used for detailed specification of the activities being implemented under this measure. The project is scheduled to be completed in 2004.

Improvements in the business environment will be based on targeted assistance for the creation of a transparent and open environment for entrepreneurs. Support for SMEs under Objective 2 will form part of a comprehensive solution to problems of the city in the selected segments of its territory, and will thus contribute to implementing the strategic objective of creating a polycentric city structure. Special attention will be devoted to revitalised industrial areas and job opportunities in housing estates and their vicinity. These plans are expected to be implemented in close coordination with the Industry and Enterprise Operational Programme and the Joint Regional Operational Programme.

Tourism support will, as a priority theme, seek to increase the attractiveness of Prague, which should have a positive impact on the performance of the Prague economy as well as to reduce certain burdens associated with tourism. The aspect of sustainable development will become one of the main assessment criteria for selecting projects.

Multicultural environment, which will be more evident after the EU accession, will have to be taken into account while programming SMEs support. A number of projects will be implemented, linked to the gradual opening up of the labour market, the employment of foreign staff, and other changes in human resources, which are influencing the overall business environment. These projects will therefore be closely co-ordinated with activities under the SPD Objective 3. Equal opportunities of women and men will be an important criterion for selecting this type of projects.

Objectives

This measure meets the specific objectives of the SPD Objective 2 by aiming to:

- utilise the innovative potential for the development of the selected area while keeping track of the broader (supra-regional) effects strengthening the economic significance of other regions in the Czech Republic,
- improving the economic performance and growth perspectives of SMEs,
- improve the quality of the business environment, especially for small and medium-sized enterprise, where the advantages of such enterprises will be used in prompt implementation of the innovative process,
- change the economic profile of the most structurally damaged parts of the city and other selected areas requiring support, based on utilisation of locally-bound sources.

Indicative activities

The activities may include:

- SMEs soft aid grant schemes (information on the condition of technology, development of technologies, support in resolving technical and technology-related problems, securing quality system certification under ISO 9001, 9002, delivery of business plans),
- SMEs investment grant scheme (specific equipment and machinery),
- SMEs production and service buildings and facilities,
- development of business information centres,
- development of tourism information centres.

Target groups

- o Small and medium-sized enterprises; business associations

- Administrative institutions of the city (its boroughs) and organisations established and founded by the city
- Organisations in the sphere of business services, training and research and development (providers of information, advice, training etc.),
- Non-profit sector
- Foreign and domestic investors with capital participation in activities in the selected area
- Inhabitants and visitors of the City of Prague

Envisaged final beneficiaries of financial support

- The City of Prague and selected city boroughs (Prague City Hall, city borough authorities)
- The Prague Information Service
- Other organisations established, founded and authorised by the city
- Entrepreneurs (SMEs), professional associations
- Specialised advisory and mediation entities (e.g., regional development agencies, innovation centres)
- Czech-Moravian Guarantee and Development Bank, a. s.
- Non-profit sector

Measure 2.3 – Development of strategic services in support of the information society in Prague

Rationale and background

The objective of this measure is to build a high-capacity, compatible information environment in order to improve the city administration's multimedia communication with the general public, state authorities, other regions and the outside world. In addition, this measure seeks to implement modern information technologies in accordance with the policies⁸ that focus in the Czech Republic on developing the intents and requirements of the European Union's eEurope 2005 Action Plan⁹.

Financial support from the Structural Funds will be focussed mainly on those projects that will improve the information and communication potential of the public administration, and of business sector (especially small and medium-sized enterprises). It will also enable private individuals to use new information networks. Special programmes will be aimed at supporting equal access to information. It will promote the utilisation of new information technology products for groups potentially threatened by social exclusion (such as newly arrived foreigners, the long-term unemployed, handicapped persons, women taking care of young children etc.). This will help such individuals to regain their place on the labour market and will reduce or eliminate their integration problems. The measure will also support activities that promote positive economic effects, such as teleworking, the development of specialised information institutions and facilities in the selected city area and the speeding up of decision-making processes in the public administration.

The selection of projects will take into account that EU funds should not cover the costs of public administration for their day-to-day management related to information technologies. Projects for the development of an information society will respect the goals of other measures within SPD Objective 2 (e.g. measure 2.2) and their preparation will be co-

⁸ In particular, the Czech Government's document "The State Information and Communication Policy", a draft of which has been completed in October 2003.

⁹ eEurope 2005 Action Plan: COM (2002) 263 final.

ordinated with the measures included in SPD Objective 3 particularly concerning the following priorities: 1 – Active employment policy, 2 – Social integration and equal opportunities.

Objectives

This measure meets the specific objectives of the SPD Objective 2 by aiming to:

- apply new information technology applications in the city's management process, to increase its economic level and to eliminate certain social problems facing Prague inhabitants,
- set the basis for ensuring social cohesion and eliminating current and potential employment problems and for supporting equal opportunities for all groups of inhabitants,
- promote partnership as a fundamental principle when implementing the city's strategic objectives for co-operation between the public, private and non-profit sectors.

Indicative activities

The activities may include:

- building of capacitive, reliable and accessible telecommunication network (especially projects focused on local networks, including construction of Public Internet Access Points),
- creation of data and information bases and their accessing for the public,
- projects supporting entrepreneurship in development and transfer of ICT,
- projects supporting development of „teleworking“ and „e-commerce“.

Target groups

- Business sector (mainly small and medium-sized enterprises)
- Administrative institutions of the city (its boroughs) and organisations established and founded by the city
- Non-profit sector
- Inhabitants of the City of Prague

Envisaged final beneficiaries of financial support

- The City of Prague and the selected city boroughs; organisations established and founded by the city
- Businesses (firms) and professional associations
- Funds and state purpose-established institutions
- Non-profit sector
- Educational institutions

5.5.3 Priority 3 - Technical assistance

Technical assistance will be used for the preparation, monitoring and assessment of the implementation of the Single Programming Document for Objective 2 and other related activities.

An increase in the budget of technical assistance is proposed for the first period of assistance from the EU Structural Funds (2004 to 2006). It is expected that there will be more intensive co-operation with foreign partners and a higher demand for setting up implementation system. It has been set at 2,5 % of the total amount of financial support from the Structural Funds.

Prague envisages the utilisation of all forms of activities and services falling under the category of technical assistance to secure efficient implementation of the SPD. The structure of such activities and services will respect Articles 2 and 3 of Rule No. 11 constituting an annex to EC Regulation No. 1145/2003. Methods utilising computer technology and modern procedures of operating information systems and networks will be applied as a priority. Technical assistance will contribute to the exchange of experiences and "best practice" examples.

The involvement of national public funding is at 50 % of the total public costs. The SF funds for Technical Assistance will be used solely for the direct implementation of the programme.

Measure 3.1 – Technical assistance I – Cost of direct programme management

Rationale and background

The Ministry of Regional Development will play the role of Managing Authority. A key role is to prepare the manuals and other documents facilitating project creation process. However some functions will be delegated to the city of Prague (e.g. selection project). The experience of Prague in delivering economic programmes is limited. Taking into account the internal structure of Prague (large number of independent boroughs), an important issue will be to provide efficient and transparent selection of projects. Ministry of Regional Development will play the role of facilitator in sharing the experience between programmes implemented in Prague, and outside (in Objective 1 area).

Objectives

The objective of this measure is to secure the smooth management of the programme.

Indicative activities

- preparation, assessment and monitoring of the programme and of projects, including the drafting of documentation and reports,
- selection of projects,
- meetings of the monitoring committee,
- participation of experts and other authorised entities (including foreign entities) in the committee's meetings,
- on-site audits and inspections.

The expenditures will be subject to restrictions set out in Article 2.2 of Rule No. 11. The maximum limit of this form of assistance will not exceed the maximum rates specified in Articles 2.4 and 2.6 of the Rule cited above.

Measure 3.2 – Technical assistance II – Cost of technical support

Rationale and background

Technical Assistance should provide the expertise to ensure that the programme is carried out purposefully, and in compliance with the strategic goals of the development of the region. It must help in ensuring that all participating partners understand their role, and fulfil their obligations in a prompt and quality manner. It will seek to increase innovation dynamics of the projects being implemented, and the innovation capabilities of all the parties involved. It will promote the publicity of the programme, linked to open access to all necessary

information on activities. The importance of the publicity and information campaign should be underlined, and treated as a priority within this measure.

The activities will involve consultations and the exchange of experience (especially with regions/cities facing similar problems), the creation or streamlining of information networks for the entire programming process, and the implementation of approved measures, including progressive application methods for computer techniques. Particular attention will be devoted to good communications between all partners with special focus on contact with the public.

Due to the role of Prague as a capital city and main “growth pole” of the Czech Republic, there is a need to evaluate the impact of SF interventions on the surrounding area (especially Central Bohemia). Part of TA should be used for common studies, as well as providing expertise in the field of business support activities, to be a basis for the preparation to the next programming period.

Objectives

This measure meets the specific objectives of the SPD Objective 2 by aiming to:

- raise awareness of the citizens and potential applicants about the programme,
- provide necessary equipment for efficient monitoring of the programme (MSSF system, VIOLA system),
- provide expertise on management of the programme.

Indicative activities

Examples of possible activities are:

- consultation, exchange of experience, seminars,
- establishment and securing the quality functioning of the MSSF monitoring system; securing of analytical work within the framework of monitoring,
- research and studies on the impact of support in the region,
- pilot projects within the framework of technical assistance,
- technical and methodological securing of the exchange of information at national level and within the EU,
- drafting programming documents for the next programming period, and their *ex-ante* and SEA evaluation,
- new forms of communication with the general public,
- information&publicity for different target groups.

Target groups

- Administrative institutions of the City of Prague and the selected city boroughs, organisations established and founded by the city (city boroughs)
- Non-profit sector
- Business sector
- Specialised advisory and mediation entities (e.g., regional development agencies, innovation centres)

Envisaged final beneficiaries of financial support

- The City of Prague
- Ministry for Regional Development of the Czech Republic

Geographical location of the thematic groups within measures

The districts of Prague eligible under Objective 2 area vary for many different features (population density, environmental damage, etc.). To identify the needs of the eligible area, the main thematic groups are given per district:

MAIN THEMATIC GROUPS OF MEASURES IN ADMINISTRATIVE DISTRICTS (NUTS 4) OF THE SELECTED SUPPORT AREA

Table no. 25

Administrative districts (NUTS 4)	No. of inhabitants (2001 Census)	% of Prague inhabitants	Thematic groups of measures	Boroughs (NUTS 5)	No. of inhabitants (2001 Census)	% of Prague inhabitants
Prague 1	34,892	3.0	<ul style="list-style-type: none"> • improvement of the city environment - renovation and development of technical infrastructure • flood protection in a part of the historic centre • reduction of the crime rate • improved quality of transport services in view of accessibility for persons with impaired mobility 	Prague 1	34,892	3.0
Prague 8	109,001	9.2	<ul style="list-style-type: none"> • integrated revitalisation of extensive areas - residential and manufacturing • improved quality of transport services to support development of the area and an improvement in the city environment • completion of new city centres • regeneration of the environment in housing estates • creation of job opportunities near residential areas • creation of a base for co-operation between the business sector and science/research • improved air and water quality, increased recreational capacity of the area • better urban planning of embankment areas 	Prague 8 Prague-Březiněves Prague-Ďáblice Prague-Dolní Chabry	103,673 670 2,180 2,478	8.8 0.1 0.1 0.2

Administrative districts (NUTS 4)	No. of inhabitants (2001 Census)	% of Prague inhabitants	Thematic groups of measures	Boroughs (NUTS 5)	No. of inhabitants (2001 Census)	% of Prague inhabitants
			<ul style="list-style-type: none"> renovation and development of technical infrastructure better flood protection improvement of information services to visitors of the City of Prague at the long-distance and international bus transport terminal 			
Prague 9	42,246	3.6	<ul style="list-style-type: none"> integrated revitalisation of former industrial sites improved quality of transport services to support development of the area and an improvement in the city environment regeneration of the environment in housing estates creation of job opportunities near residential areas renovation and development of technical infrastructure increased proportion of green facilities and parks revitalisation and flood protection of the Rokytka stream 	Prague 9	42,246	3.6
Prague 12	62,518	5.3	<ul style="list-style-type: none"> functional and physical regeneration and completion of housing estates creation of job opportunities near residential areas improved quality of transport services to support development of the area and an improvement in the city environment 	Prague 12 Prague-Libuš	54,613 7,905	4.6 0.7

Administrative districts (NUTS 4)	No. of inhabitants (2001 Census)	% of Prague inhabitants	Thematic groups of measures	Boroughs (NUTS 5)	No. of inhabitants (2001 Census)	% of Prague inhabitants
			<ul style="list-style-type: none"> • support for business activities by completing the construction of needed technical infrastructure • replenishment of flood protection measures • improved water quality in and revitalisation of small water courses • regeneration of the area and increase in its recreational capacity 			
Prague 14	38,834	3.3	<ul style="list-style-type: none"> • improved environment of housing estates • creation of job opportunities near residential areas • improved quality of transport services to support development of the area and an improvement in the city environment • completion of the district centre • revitalisation of Rokytka stream; expansion of green facilities and parks in inner housing areas 	Prague 14 Prague-Dolní Počernice	37,069 1,765	3.1 0.2
Prague 15	37,807	3.2	<ul style="list-style-type: none"> • functional and physical regeneration and completion of the environment in housing estates • improvement of the environment - anti-noise measures • support for investment and business operations by completing the construction of technical infrastructure 	Prague 15 Prague-Dolní Měcholupy Prague-Dubeč Prague-Petrovice Prague-Štěrboholy	27,669 1,157 2,014 6,023	2.3 0.1 0.2 0.5

Administrative districts (NUTS 4)	No. of inhabitants (2001 Census)	% of Prague inhabitants	Thematic groups of measures	Boroughs (NUTS 5)	No. of inhabitants (2001 Census)	% of Prague inhabitants
			<ul style="list-style-type: none"> strengthening of the recreational functions of the area improved quality of transport services to support development of the area and an improvement in the city environment 		944	0.1
Prague 19	14,165	1.2	<ul style="list-style-type: none"> completion of the construction of technical infrastructure, especially in housing estates revitalisation of the area 	Prague 19-Kbely Prague-Čakovice Prague-Satalice Prague-Vinoř	4,625 5,633 1,358 2,549	0.4 0.5 0.1 0.2
Prague 20	13,098	1.1	<ul style="list-style-type: none"> improved quality of transport services to support development of the area and an improvement in the city environment regeneration of the environment in housing estates 	Prague 20-Horní Počernice	13,098	1.1
Prague 21	12,205	1.0	<ul style="list-style-type: none"> functional conversion of the area, revitalisation of dilapidated sites and housing estates, preparation of conditions for innovative business activities improving the quality of water management infrastructure strengthening of the area's potential for sports and recreational facilities 	Prague 21-Újezd nad Lesy Prague-Běchovice Prague-Klánovice Prague-Koloděje	7,197 1,565 2,605 838	0.6 0.1 0.2 0.1
Total	364,766	30.9				
Prague	1,178,576	100.0				

Source: CSO, STR CDAS PCH

5.6 Horizontal themes

The funds earmarked for the accomplishment of the objectives comprised under individual priorities of SPD Objective 2 will contribute substantially to the support of the horizontal themes of the European Community. The horizontal themes include the information society, sustainable development, equal opportunities, and labour market and social inclusion. In respect of the latter two horizontal themes it is necessary to keep in mind that the measures under SPD Objective 2 are not primarily focussed on the development of human resources. Both themes are dealt with in SPD Objective 3, and the measures defined in SPD Objective 2 contribute to their solution according to their respective specific possibilities.

5.6.1 Information society

Information technologies and means of communication are an important element of the growth of competitiveness for enterprises, and represent an opportunity and chance to start up new and longer sustainable development of the knowledge-based society. Introducing and implementing new technologies at all levels of economic and social life leads our society to attaining the standard of an “information society”.

The Information Society is already proving one of the prime drivers of economic and social change in Europe. It is no longer the case that an economy can grow with only certain individuals having access to information. The transition to an information society requires participation by all. If it does not, those elements of society which do not have access to the new technologies are likely to become increasingly excluded from mainstream economic activities and opportunities.

There must be a systematic integration of ICT skills into all types of activities, but especially for activities which seek to develop basic and key skills. Those who lack basic and/or key skills are the most likely to have the poorest access to ICT services and facilities. A lack of familiarity with ICT is likely to increase the difficulty that individuals have in accessing opportunity, both now and in the future.

In link to the solution of this issue within the framework of the Sixth Framework Programme for research and development or the e-Europe initiatives (and eEurope 2005 Action Plan in particular), this theme has been formulated as a specific measure 2.3 (Development of strategic services in support of the information society in Prague) under priority 2. It is also reflected in measure 2.1 (Improving the quality of partnership between the public and private sectors, non-profit sector, science and research), where building up information and communication networks is the principal means for the development of partnership, and partnership in its turn contributes to the “growth in quality of the information society”, and in measure 2.2 (Support for small and medium-sized enterprises; a favourable business environment), where implementation of new IC technologies proves to be one of the fundamental factors of the development of SMEs.

5.6.2 Sustainable development

The NUTS level 2 City of Prague region has been included among applicants for assistance of the European Union under Objective 2 based on paragraphs 1 and 7c of Article 4 of Council Regulation (EC) No. 1260/1999 – i.e., as a region with structural problems and whose part (urban area) or the selected area meets the criterion of particularly damaged environment.

This is why the link to sustainable development is the strongest link of SPD Objective 2 to the horizontal themes.

Priority 1 aims at various types of problematic areas, primarily industrial and manufacturing sites intended for transformation (measure 1.2 Regeneration of damaged and unsuitably used areas). The necessity to transform areas of this type ensues primarily from the restructuring of Prague-based economy and industry, which accelerated as a result of the gradual integration into the European economy after 1989. Sustainable development also underlies improvement in the quality of the living environment mainly in housing estates (measure 1.3), revitalisation of areas afflicted by floods in 2002 (following after liquidation of immediate impacts of the floods – measure 1.2), and improvement in transport services concentrated on developing and improving the quality of city transport (mainly rail transport), with preference given to transport services in the regenerated areas (measure 1.1 Transport systems supporting the transformation of the city environment).

The largest share of financing is being proposed for priority 1 and its several measures, as they are most relevant to the issue of sustainable development.

Project applicants under priority 1 will, as a rule, be required to demonstrate benefit in terms of sustainable development by means of evaluation indicators compatible with the structure of evaluation indicators for the priority (see chapter 5.5) and its measures (pursuant to the Programme Complement). In respect of projects dealing with other horizontal themes – including some projects under measure 1.3 and projects under priority 2, project applicants should declare and, in complex cases, demonstrate that the project is compatible with the principles of sustainable development. They shall be in particular required to demonstrate that the project does not cause any negative impact on the environment.

All operations undertaken under the frame of this SPD shall comply where applicable with the Directive on Environmental Impact Assessment (85/337/EEC as amended by 97/11/EC). Additionally all actions realized within this SPD must be carried out accordingly to the Czech legislation on environment. In cases where applicable environmental Community legislation is not yet transposed into national legislation, the relevant EU Directives shall directly apply until their effective transposition.

5.6.3 Equal opportunities

As shown in analysis, position of women on the labour market is much worse than of men. This is reflected in higher unemployment rate. Promotion of equal opportunities for men and women is an important aspect of selection of projects. This is particularly important in respect of those measures under SPD Objective 2, which indirectly relate to human resources. With regard to measure 2.2 (Support for small and medium-sized enterprises; a favourable business environment), equality of opportunities for women and men will be one of the most relevant criteria in selecting specific projects. Preparation of projects implementing measure 2.3 Development of strategic services in support of the information society in Prague will be coordinated with the SPD Objective 3 programme – Social integration and equal opportunities.

Project applicants should also state the manner of dealing with potential barriers, which could prevent certain groups of people from taking part in the project. Such barrier may involve the way in which the project is published and in which the persons involved in the project are to be approached, and also the geographic selection of the location, its accessibility or safety.

5.6.4 Labour market and social inclusion

This horizontal theme, together with the preceding one, should provide surveillance of linkages to SPD Objective 3. In the SPD Objective 2, five measures under both priorities, and under priority 2 in particular, are designed to improve the situation in the labour market and facilitate social inclusion.

We note with respect to measure 1.1 (Transport systems supporting the transformation of the city environment) that improving the transport services focussed on developing and increasing the quality of the city transport is one of the prerequisites for citizens to be able to respond more flexibly to requirements of the labour market based on accessibility of employment in a wider area.

Measure 1.3 (Public infrastructure improving the quality of life mainly in housing estates) will contribute to preserving social cohesion in large housing estates by making them more attractive, which will prevent socially selective migration. Social inclusion will also be substantially influenced by extending the availability of services and public amenities in problematic housing estates (social and sport centres etc.).

Measure 2.1 (Improving the quality of partnership between the public and private sectors, non-profit sector, science and research) will improve the situation in the labour market by creating new job opportunities in technically advanced sectors and services (prospects of further development). Measure 2.2 (Support for small and medium-sized enterprises; a favourable business environment) will be manifested in strengthening the city's economic base, including new job opportunities. The innovative potential of SMEs and their adaptability may facilitate solution of the specific problems in the labour market, such as complicated employability of disadvantaged persons (handicapped, mothers taking care of small children etc.). Special attention will be paid under this measure to job opportunities in housing estates, thus contributing to strengthening social cohesion there. Measure 2.3 (Development of strategic services in support of the information society in Prague) will, among other things, promote equal access to information and utilisation of new IT products by groups potentially and actually threatened by social exclusion. Thus this measure will contribute to lifting the barrier to such groups' access to the labour market and will facilitate their social inclusion (programmes supporting development of "distance work").

Project applicants, as in the case of equal opportunities, will be required to state the manner of facilitating entry of disadvantaged persons into the project (long-term unemployed, handicapped, mothers taking care of children, seniors etc.).

5.6.5 Quantification of horizontal themes

SPD 2 – LINKS TO AND RELEVANCE FOR THE HORIZONTAL THEMES

Table no. 26

HORIZONTAL THEMES	PRIORITY 1 Revitalisation and development of city environment	PRIORITY 2 Building up the future prosperity of the selected area
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	Transport systems supporting the transformation of the city environment	Regeneration of damaged and unsuitably used areas	Public infrastructure improving the quality of life in mainly housing estates	Improving the quality of partnership between the public and private sectors, the non-profit sector and science and research organisations	Support for small and medium-sized enterprises; a favourable business environment	Development of strategic services in support of the information society in Prague
Information society				**	**	***
Sustainable development	***	***	***	**	**	*
Equal opportunities				*	**	**
Labour market and social inclusion	*		*	*	**	**

*** significantly related, ** related, * partially related

Source: STR CDAS PCH

ASSESSMENT OF THE EFFECT OF IMPLEMENTATION OF SPD 2 ON THE EU'S HORIZONTAL THEMES

Table no. 27

	Level of indicator	Indicator	Measuring unit	Starting value ¹	Source
Information society ²	Impacts	Population who regularly use internet	Share in the total population in %	21,7 % ^{3*}	Statistical survey
	Results	Share of households with Internet access	Share in the total households number in %	11 %*	CZSO
	Outputs	Broadband penetration	Percentage of enterprises and households or individuals with broadband access	^{4*}	CZSO, Statistical survey
Sustainable development	Impacts	Environmental quality index ⁵	Index %	100 %	PCH
	Results	Area of new functional use implemented on the regenerated sites ⁶	Area in km ²	0	PCH
	Outputs	Number of supported projects of regeneration of city areas (regenerated area) ⁷	Number of projects (area in km ²)	0 (0)	PCH

Equal opportunities	Impacts	Share of population from disadvantaged population groups in the total unemployment rate	Index % a) school graduates and youth b) individuals with disabilities c) individuals over 50 years of age d) individuals with at most primary education e) women	a) 9,0 %* b) 12,1 %* c) 23,8 %* d) 20,1 %* e) 52,6 %*	MLSA
	Results	Gender related newly created jobs index	Share of female in newly created jobs in %	0 %	PCH
	Outputs	Number of supported entrepreneurs (men/women)	Number of people	0	PCH
Labour market and social exclusion	Impacts	Share of long term unemployed in total number of unemployed	Index %	23,3 %*	MLSA
	Results	Share of population from disadvantaged population groups in the total unemployment rate	Index % a) school graduates and youth b) individuals with disabilities c) individuals over 50 years of age d) individuals with at most primary education	a) 9,0 %* b) 12,1 %* c) 23,8 %* d) 20,1 %*	MLSA
	Outputs	Number of supported jobs	Number of jobs	0	PCH

Source: MRD, STR CDAS PCH

* Figure for the whole NUTS 2 Prague region.

¹ As of the end of 2002, unless stated otherwise.

² The indicators of horizontal themes are based on the EU methodology for the eEurope 2005 action plan (COM(2002) 655 final).

³ The starting value represents a figure for the whole country (based on a survey conducted by the CZSO). The value for the City of Prague will be newly determined based on a separate survey for the first quarter of 2004.

⁴ The initial and target values will be determined based on a special statistical survey for the first quarter of 2004 in view of the objectives of the National Information and Telecommunications Policy (eEurope 2005).

⁵ An indicator to be monitored, based on proposal of NDP/CSF, at the level of impacts of the horizontal objective “*Sustainable environmental development*”. This index is based on a new methodology adopted by the Ministry of the Environment of the Czech Republic and includes characteristics of individual components of the environment.

⁶ The area where the development mainly of activities creating job opportunities would subsequently be actually taking place (e.g., also as part of measures 2.1 and 2.2).

⁷ Brownfield-type area that has been prepared under measure 1.2 for development of mainly follow-up activities creating job opportunities.

5.7 Links with SPD for Objective 3 and National Labour Policy

The SPD for Objective 2 is closely linked to the SPD for Objective 3 of Prague and National Labour Policy.

The SPD for Objective 3 covers the whole territory of Prague and is financed from European Social Fund (ESF). The main aim of SPD 3 is an effective labour market based on skilled labour force, competitiveness of employers, utilisation of the research and development potential of the region, social integration of endangered groups, and the principles of equal opportunities, while respecting the principles of sustainable development.

Since the SPD for Objective 3 is financed entirely by the ESF and does not cover ERDF, the SPD for Objective 2 will complement the need of infrastructure investments related to human resources in a eligible area (consultancy centres etc.). The SPD 2 activities supporting development of information society, support of SME, private as well as public partnership, NGO sector, science and research and life improvement mainly of housing estates can support majority of SPD activities for Objective 3.

Concentration of financial resources from SPD 3 for the eligible area under SPD Objective 2 (31 % of the Prague region’s population) has been set at 35 % as the area faces specific problems related to social cohesion.

In accordance with the economic strategy of the government of the Czech Republic for accession to the EU, the Ministry of Labour and Social Affairs prepared a National Employment Plan in 1999. The Objective of this plan was to set out a medium-term employment policy linked to the overall economic, social, educational and regional governmental policy. National action plans (NAPs) increasingly introduce the provisions stated in the National Employment Plan, focusing on the groups at the labour market, endangered by social exclusion. This especially with regard to Pillar 1 – employment and Pillar 2 – Support of enterprise. The provisions and activities with a link of SPD 2 to SPD 3 are focussed on social cohesion – measure 1.3 in SPD 2, and support of SMEs – measure 2.2 in SPD 2.

The Czech government prepares together with DG Employment an annual Joint Assessment of the Employment Policy – JAP. This document represents an agreed complex of objectives for the employment and labour market policy and sets out the priorities for adjusting the system of employment. The JAP identifies main priorities on the labour market and its results are discussed in a subcommittee for regional development, employment and social policy.

A close link between the National action employment plan and the JAP ensures also a close link to the European Employment Strategy.

EXPECTED EFFECTS OF SYNERGY BETWEEN SELECTED MEASURES UNDER THE SPD 2 AND SPD 3

Synergy effects between SPD 2 and SPD 3		SPD 3							
		1.1	2.1	2.2	3.1	3.2	4.1	4.2	4.3
SPD 2	1.1	-	-	-	-	-	-	-	-
	1.2	-	-	-	-	-	-	-	-
	1.3	-	+	-	-	-	-	-	-
	2.1	+	-	+	++	++	++	+++	-
	2.2	++	+	+	-	++	+++	++	++
	2.3	++	++	+	++	+++	+++	++	++

+++ strong direct link, ++ medium direct link, + weak direct link, - indirect link

Source: STR CDAS PCH

5.8 Links with other EU interventions (CSF - related operational programmes and the Cohesion Fund)

The Single Programming Document for Objective 2 of the Prague NUTS 2 region is in full compliance with the principles and priorities of the Community Support Framework for the Czech Republic (“CSF”). This compliance underlines the strategic goal of the state and the regions to create a national economic space with the gradual removal of disparities and barriers hindering development. At the same time, it confirms the national importance of certain operations located in the Prague cohesion region and their necessary development for the benefit of the country as a whole.

In most cases, the Prague SPD Objective 2 is linked at the level of horizontal themes or the identified main goals to sectoral operational programmes (OP) that are focussed only on the regions to which support has been awarded under Objective 1 and which therefore do not address the problems of Prague. The mutual recognition of the links between Prague and the remaining territory of the country (NUTS 2 regions) will be reflected in coordination of the implementation activities. In particular, support should be given to activities with strong synergic effects. Anticipated co-operation under the Industry and Business OP or the interrelated and complementary measures in the tourist industry as contained in the Joint Regional Operational Programme (JROP), SPD Objective 2 and SPD Objective 3 can serve as an example. In addition, full coordination with the strategy and priorities of the Human Resources OP as well as with the policy of the European Social Fund is promoted in the area of human resources where SPD Objective 3 has been drafted for the Prague.

Further possibilities of co-operation between regional authorities will be exploited in respect of links with the Central Bohemia cohesion region, which surrounds Prague and is supported under the Joint Regional Operational Programme. This will enable joint solutions to problems facing both the capital and the eastern part of the Central Bohemia Region, especially on issues relating to the availability of work opportunities, and to commuting.

As regards the Cohesion Fund, potential projects have been included in the Cohesion Fund sectoral strategy papers 2004-2006 prepared by the Czech authorities. The Prague ring road has been identified in this document as a high priority. The completion of this project would significantly reduce the negative impact of car transport on environment in the centre of the city by a decrease in air pollution and noise pollution.

The potential list of other projects includes:

- Waste Water Treatment Plant in Prague-Troja,
- recycling of plastic waste (joint project located in Prague and Central Bohemia).

Prague is also invited to prepare and submit Cohesion Fund projects related to anti-flood prevention on Vltava river, to remove this threat for the city in future.

6. SUMMARY OF *EX-ANTE* EVALUATION OF SPD OBJECTIVE 2

The summary of the ex-ante evaluation refers to the version of SPD Objective 2, which was approved on 17 October 2002 by the Assembly of the City of Prague. Evaluation of the financial framework already reflects new tables expressed not in the 1999 fixed prices but in 2003 common prices as supplied by the European Commission.

The drafter (the Strategic Planning Department of the City Development Authority Section of Prague City Hall) and the ex-ante evaluator of the programme (DHV CR) have been involved in a working dialogue in the course of preparing and drafting the document. The drafter accepted most of the evaluator's recommendations, each time modifying the text of SPD Objective 2 based on the progressive stages of the ex-ante evaluation.

6.1 Introduction

Ex-ante evaluation is conducted prior to commencement of implementation of the EU Structural Funds' supportive measures. The aim of *ex-ante* evaluation is to assess justification of the supportive measures, or rather to provide rationale for the priorities and measures being proposed and assess their respective effectiveness.

An *ex-ante* evaluation seeks to find answers to the following fundamental questions:

- Will the funds be expended on programmes that actually require support of the Structural Funds? (justification and statement of reasons)
- Will the Structural Funds contribute to accomplishment of the set objectives? (effectiveness)
- Will be the results adequate to the expended funds? (efficiency)

The *ex-ante* evaluation being submitted is based on the most recent available procedures and underlying documents applied in EU Member States.

The chapters of the *ex-ante* evaluation are all structured into three parts:

- a) general methodological comments regarding the relevant aspects of the ex-ante evaluation according to the European Commission's methodology,
- b) evaluation of the relevant part of the Single Programming Document (SPD),
- c) recommendations for improvement or modification of the SPD, whether at present or in later stages of preparation.

The *ex-ante* evaluation of the Single Programming Document for the Prague Region has been implemented in stages depending on the progress of completion of the document, and in the course of consultations of the drafters of both documents, namely the Strategic Planning Department of the Prague City Hall and DHV CR, branch Ostrava.

The introduction *offers rationale for including the Prague cohesion region under Objective 2 support programmes*, unlike the other regions of the Czech Republic that have been included under Objective 1. The principal reason for including the Prague cohesion region under Objective 2 has been its economic performance which is, based on macroeconomic indicators, very high in the context of both the Czech Republic and EU regions. According to the current

methodology of calculation, Prague's regional gross domestic product exceeds by 10 to 20 % the average value of NUTS 2 regions within the EU. In addition, the unemployment rate is very low – between 3 and 4 per cent. Therefore, Prague is unable to apply for inclusion among cohesion regions that could draw on support from the EU Structural Funds under Objective 1. This is one of the reasons why the European Commission decided in 2001 that the Prague cohesion region should apply for assistance under Objective 2. The Single Programming Document for Objective 2 ("SPD Objective 2") *is based on strategic documents* drafted in late 1990s, that were adopted by the City of Prague's political representatives as the city's fundamental development policy. These documents include, *inter alia*, the Prague Strategic Plan drafted in 2000. Its implementation part for the years 2000 to 2006, in particular, has become the basis for drafting all subsequent national and regional documents for pre-accession negotiations with the EU that have been drawn up to date.

The focus of the priorities is specified in the introduction of the SPD by reference to the *measures* being proposed, including:

- under priority 1 "**Revitalisation and development of the city environment**", measures "Transport systems supporting the transformation of the city environment", "Regeneration of damaged and unsuitably used areas", "Public infrastructure improving the quality of life mainly in housing estates".
- under priority 2 "**Building up the future prosperity of the selected area**", measures "Improving the quality of partnership between the public and private sectors, non-profit sector, science and research", "Support for small and medium-sized enterprises; a favourable business environment" and "Development of strategic services in support of the information society in Prague".

The priorities and measures as proposed in the SPD are consistent with the objectives and priorities of the National Development Plan, which was approved by the Government of the Czech Republic as a fundamental document for negotiations with the EU in the field of regional cohesion policy. At the same time, they draw on the long-term strategy for the development of the City of Prague, prepared by the Prague (community) municipality on the principle of partnership and approved and implemented by the city's political representatives.

The goals for which the Prague cohesion region is applying for support are in full compliance with the principles for the utilisation of the Structural Funds, particularly the principles of programming, complementarity and additionality.

6.2 Analytical part

The analytical part contains general information on the region's development set out in the relevant policy documents, and is structured as follows:

Introduction

Analysis of the current social and economic situation in the region

SWOT analysis of the region

Context of the European Communities

Summary of previous public support

Summary of previous use of Phare resources and Community funds

In the Single Programming Document as currently drafted, the analytical chapter itself (chapter 2 Analysis of the Economic and Social Situation of the Region) is preceded, as a

stand-alone chapter, by chapter 1 *Basic Data on the Prague Region*. This chapter serves as the introductory part of the analysis, discussed more broadly than the introduction to the analysis as required by the applicable methodology. This arrangement, given the multi-faceted problems, specificities and links of the Prague region, appears to be correct and appropriate.

Basic data on the Prague region contains characteristics of Prague as an important Central European city, as the capital of the Czech Republic and a regional centre, and specifies geographical data, administrative division, structure of population, demographic indicators and characteristics of the social environment.

Analysis of the economic and social situation of the Prague region

The analysis itself of the economic and social situation in the region is discussed in Chapter 2 of the Single Programming Document, which is further divided into six subchapters based on the aspects of the region's economic performance, human resources, labour market, unemployment, technical facilities, transport, quality of the environment and institutional infrastructure facilities.

The region's performance and the sectoral structure of the economy

The Prague region generates about 20 % of the national gross domestic product and attracts approximately 20 % of all investment into the Czech Republic. The volume of regional per capita GDP in Prague exceeds the EU average by more than one fifth (124 % in 2000). However, this outcome is probably influenced by certain distorting methodological factors, such as the calculation methods laid down by Eurostat or the large number of registrations of business addresses in Prague with activities being carried out outside the region. Subject to applicable correction, however, it remains obvious that the actual level of Prague's GDP is distinctly higher than the average for EU members states.

The development of Prague's economic base has been characterised by a consistent growth of the services sector with a decrease in the manufacturing sector. In comparison with the Czech Republic's average figures in 2000, the Prague levels amounted to 9 % in the processing sector (27.8 % in the Czech Republic), 22.5 % for business and repairs (14.4 % in the Czech Republic), 3.8 % for catering and accommodation (1.9 % in the Czech Republic), 10.0 % for finance and insurance (4.3 % in the Czech Republic), and 24.1 % for commercial services, science and research (12.1 % in the Czech Republic).

Human resources and the labour market

The Prague region is the largest regional labour market in the Czech Republic; with more than 770,000 employees, it accounts for 15 % of national employment figures (and 12 % of the total population). This amount includes over 110,000 commuters from neighbouring areas and approximately 50,000 foreigners with permanent or temporary residence permits. In the first quarter of 2001, there were over 75,000 people commuting to Prague from Central Bohemia, which accounts for 10 % of the city's employment figures and underlines the importance of the Prague labour market for utilising the workforce from the Central Bohemia region.

Outcome of the *ex-ante* evaluation of the labour market situation and of gender equal opportunities.

The development of the labour market is analysed in detail with regard to the basic characteristics of employment in the individual branches and professional structure, unemployment, and vacancies. This provides a clear picture of the specific situation in Prague, where the number of workers with tertiary education degree and the share of highly skilled professions is considerably higher than the nation-wide average. A detailed study of unemployment is richly documented with data concerning education, age structure, and the

involvement of disadvantaged groups among the unemployed, made up mainly of recent graduates, the physically disabled, and low-skilled workers. There is not however, any relevant information on the position of women (see below). The analysis highlights unfavourable trends which continue in spite of a relatively low level of unemployment in Prague, which include: a large number of unemployed people with university qualifications, a growing trend of unemployment among youth, school graduates and the physically disabled, and increasing numbers of the long-term unemployed.

The issue of equal opportunities for women and men is not given a separate section of the analysis. This issue is included in the section on equal opportunities, which is more broadly conceived as a general problem in the standing of various social groups on the labour market and their access to education. Thus we find aspects of social exclusion mixed with aspects of equality for men and women, which with regard to the high economic activity and education of women in Prague have different manifestations and causes. They should therefore be presented separately. In other analytic blocks it would be possible to document the involvement of women or relevant characteristics for women. This particularly concerns the analysis of employment and unemployment. It is only generally stated that women have more difficulty finding jobs on the labour market. The status of women is documented in a sufficient manner with regard to demographic structure, economic activity, entrepreneurship and education.

Support of development of human resources

The development of the education system at Prague schools is already supported by the TEMPUS programmes, and specialist training is being provided under the PHARE-VET programme. Educational institutes are making increasing use of the international programmes SOCRATES, LEONARDO and Youth for Europe. Certain problems relating to the labour market are being addressed under the PALMIF programme, which supports training and retraining activities.

Technical infrastructure

The current condition as well as the short-term prospect of Prague's technical infrastructure is blemished by the general previous development in Prague and in the whole country. The situation is most depressing in the transport sector and in relation to the technical condition of certain civil engineering networks in the city's central areas.

Transport infrastructure and services

The shortcomings in the transport infrastructure and services are experienced on a day-to-day basis by thousands of Prague's inhabitants and visitors. Although the city's transport networks are relatively dense, they are unable to adequately meet in all areas the requirements ensuing from the high intensity of the transport flows. The overloading of the road network developed during the 1990s, initially localised at specific points, later covering the whole area.

The environment

Air pollution is the largest and most extensive environmental problem in Prague. This is despite the fact that the production of the main pollutants has significantly fallen during the last ten years – mainly due to a reduction of the negative influence of industrial production and to the conversion of stationary sources of pollution to natural gas. Since 1994, a city grant programme for the conversion of heating systems to environmentally sound fuels has been implemented.

The quantitative data stated in the Single Programming Document with regard to emission of pollutants into the air document the extremely unfavourable condition - Prague is one of the most environmentally damaged regions in the Czech Republic. Based on the amount of negative factors concentrated in the Prague territory, the environmental situation here is the worst in the country.

Supportive measures implemented in the region

The Prague region, like other regions in the Czech Republic, participates in the utilisation of general supportive measures that are secured at the level of the Government and other central administration authorities. In certain cases, the scale of support at state level is completely insufficient and Prague has to resolve a number of large-scale investment operations within its own financing. This mainly involves technical and transport infrastructure, where Prague covers selected activities by financial resources from the European Investment Bank and from city bonds that have been successfully placed on foreign markets.

Financing from the European Union and other external resources

Issues relating to the utilisation of various external sources for meeting the city's requirements is analysed in more detail in the "Financing Plan" chapter. In its general analytical part, the SPD notes that the operations of the city management markedly increased in 1998 and that the amounts of funds used from external resources have been quite extraordinary since 1999.

Support for small and medium-sized enterprises

Governmental programmes of support for small and medium-sized enterprises have nationwide or regional impact. Support comes in various forms, including advantageous bank guarantees, advantageous loans, subsidies, etc. Although Prague businesses can only use some of the support, their participation in these programmes has been low to date and does not correspond to the share of Prague small and medium-sized enterprises in the total number of similar entities in the Czech Republic, which amounts to about 26 % (in 2000).

Support of development of human resources is discussed in the chapter "Human resources and the labour market"

Support of development of technical facilities and services in the area

To date, the reconstruction and rebuilding of technical infrastructure (launched at the beginning of the 1980s) have been financed from state sources. A marked improvement occurred after the privatisation of operations, particularly in the field of energy and transmission of information (e.g., the development and modernisation of their networks, expansion and conversion of CHS sources). Prague has subsidised the conversion of heating sources for about 7 % of the housing fund and is involved in various state-supported projects, such as programmes for energy savings and the regeneration of housing estates sponsored by the Ministry for Regional Development.

Support of development of transport

Nearly half of the City of Prague's budget is earmarked for transport-related issues. Nevertheless, any essential speedier progress is being held back by a lack of financial resources.

SWOT analysis of the economic and social situation in the Prague region

The SWOT analysis is contained in chapter 3 of the SPD. It is structured appropriately in relation to the proposed priorities of the programme, identified in the propositional part of the document. Evaluation of the strengths, weaknesses, opportunities and threats is categorised based on the aspects of the city environment and competitiveness.

The *strengths* of the region include in particular

- Exceptionally rich history and culture and unique genius loci
- Well-functioning public transport system highly preferred by the population
- Established and functioning integrated regional public transport system
- Investment stability of Prague, open business environment and private sector
- High level and fast speed of implementation of modern information and communication technologies in the city administration and in the private sector
- Above-average skill of the labour force and great potential for science and education
- Stable job market with a number of new job opportunities, also for the neighbouring region of Central Bohemia

The *weaknesses* include in particular

- Heavy air pollution and excessive noise pollution, mainly in the central parts of the city
- Considerable amount of damaged and inappropriately used spaces ("brownfields") and general overburdening of the centre, particularly of the Prague heritage conservation area
- Low permeability of city roads, lack of bypass routes around Prague and the inner city
- Outdated and dilapidated water management infrastructure
- Deficit of infrastructure in development and reconstruction areas
- Excessive pollution of watercourses
- High demand for energy in Prague
- High crime rate, high level of vandalism and low level of environmental awareness among a part of the population
- Disproportionate utilisation of manufacturing and operating facilities
- Incomplete institutional structure for securing co-ordination of relations between the city administration, business associations and potential investors, insufficiently developed forms of external communication and marketing efforts of the city
- Little utilisation of national support programmes for small and medium-sized enterprises, insufficient quality of business network
- Insufficient utilisation of initial and further education resources
- Limited choice of retraining and resocialising programmes
- Insufficiently developed social integration of groups endangered by social exclusion
- Slow implementation of certain major development projects concerning Prague and the region of Central Bohemia

The *opportunities* for development in the region include in particular

- Achievement of the goal to transfer to a polycentric city structure, more rational utilisation of transport systems through the appropriate locating of development operations
- Incorporation of housing estates as full-scale components of the city's structure

- More extensive utilisation of environmentally friendly sources of energy
- Increased facilities and potential for recreation, sport, cultural life and entertainment (with sensitive incorporation of natural elements)
- Utilisation of Prague's uniqueness while preserving its historical legacy
- Utilisation of Prague's favourable position in Europe to encourage important international and national institutions and business operations to relocate to Prague
- Speedier transfer of technology and know-how
- Greater involvement of available Prague-based scientific and research facilities in addressing city development issues
- Speedier development of strategic services to encourage growth in the quality of the information society in Prague and the Czech Republic (with international co-operation)
- Rise in the quality of partnerships between Prague and other parties
- Utilisation of the skills and flexibility of the labour force and its continuing comparative advantage for Prague's increasing competitiveness
- Creation of equal opportunities in the Prague labour market and substantial involvement of socially disadvantaged groups

Threats to the region's development include in particular

- Insensitive urbanisation of the suburban landscape and insufficient co-ordination between Prague and the Central Bohemia region in utilising space in the Prague agglomeration
- Lack of investment in the further improvement of interconnection of the city with higher-level transport infrastructure and in local transport and technical infrastructure
- Loss of Prague's *genius loci*, irreparable damage to the urban structure and historical values of the inner city (devastation of the historical centre through insensitive rebuilding and unnecessary demolitions)
- Unreliably functioning components of technical infrastructure
- Weakening of the position of public transport and further growth in private car use on the low capacity street network
- Loss of the attraction of Prague as a result of a further growth in the crime rate
- Exhaustion of the city's financial capacity for solving its most pressing needs, insufficient assistance from the state and private sector
- Lack of investor interest in revitalising industrial and storage sites, problems associated with land plots
- Underestimation of the sustainability of development and overestimation of short-term economic effects
- Driving out of small and medium-sized enterprises as a result of the uncontrollable expansion of international chains
- Insufficient utilisation of the effects of strategic services for maintaining the rate of development of the information society
- Insufficient integration of socially excluded groups, growing xenophobia and expressions of racism

The SWOT analysis contained in the document describes the characteristic phenomena of the condition and opportunities of development of the region in a satisfactorily descriptive quality. Any greater detail of the description and more numerous examples would be to the prejudice of ease of reference.

6.3 Evaluation of the strategy, objectives, priorities and measures

Objective

The objective should be clearly formulated and focussed.

Specific objectives

The overall objective under the SPD will be achieved by means of accomplishing a series of specific objectives. The individual objectives should be achieved in view of the applicable priority and its respective measures. One priority may relate to several specific objectives, but it is more advisable to attach one priority to a single specific objective.

Strategy of regional development in the Czech Republic

This part is intended to highlight the Czech Republic's strategy regarding the development of the region in question as set out in the applicable policies. This part should demonstrate how the strategy supports priorities in the policy of the region in question. At the same time, this part should:

- emphasise the existing development potential of the region,
- determine the overall objectives for the purpose of assessing and measuring successfulness and efficiency of the strategy.

Priorities and measures for support from the Structural Funds

Priorities should be set out so as to contribute to the defined specific objectives, i.e., so as to correspond to a particular socio-economic problem or opportunity. Based on the principle of concentration, the priorities require orientation of resources towards specific types of activities. Each priority should have clearly quantifiable and measurable indicators.

Measures should be proposed to correspond to the needs and opportunities described in the analysis. The measures should be formulated in the context of synergy of the programme as a whole, i.e., should complement and enhance each other.

In accordance with the conditions set out by the European Commission for support of regions under Objective 2, inserted between the analytical part of the SPD and the proposed strategy and priorities has been chapter 4, defining the territory of the City of Prague to which support from the Structural Funds may be provided.

Support under Objective 2 may be awarded only to those parts of the Prague territory that meet a number of conditions strictly laid down by the European Commission. A binding criterion in respect of the size of the selected area is that it may not have more than a 31 % share of the total city population. This limitation of support for the Prague cohesion region was put forward by the European Commission on the basis of Article 4 of Regulation No. 1260/1999 during negotiations with the Czech Republic on the concluding of Chapter 21 – Regional Policy and Co-ordination of Structural Instruments.

In compliance with the "Recommendations for Areas under Objective 2", a predominantly compact area that meets the requirements also for the lower recommended population limit (364,766 inhabitants, i.e. 31 % of the total population) was specified. At the same time, the selected area is meant to respect the borders of statistical units at least at NUTS 5 level, which

in the Prague context constitute 57 city parts (boroughs). In view of the linkages between the competences of the self-government and state administration when implementing measures under SPD Objective 2, however, it is more appropriate for Prague to follow the division into 22 administrative districts (NUTS 4).

Strategies and priorities

As regards strategic priorities, those were selected for the drafting of the SPD for the Prague region that could, with the support from the EU funds, contribute to accomplishment of strategic city development objectives as effectively as possible.

The strategic vision as presented in the document reflects the specific position and developmental needs of Prague as the capital of the Czech Republic and an important Central European metropolis. The issues of social development are to be dealt with under Objective 3.

Summary and recommendations regarding the objectives

The content of the developmental objectives has been determined in accordance with the problems and needs identified by the analysis, but the objectives are defined in a rather vague and broad manner, and thus hardly allow for the basic requirement of measurability of results and assessment of efficiency of expended resources. Accordingly, identification between specific objectives and priorities is relatively difficult as well.

Evaluation of priorities

Chapter 5.8 of the SPD refers to 3 priorities:

- 1 – Revitalisation and development of the city environment
- 2 – Creating conditions for the future prosperity of the city
- 3 – Technical assistance

Priority 1 – Revitalisation and development of the city environment

The characteristics of the current situation and the principal problems to be resolved under this priority are specified under the analysis of problems of the selected area (Chapter 4.2), and are not reiterated in the characteristics of the priority.

This priority's objective involves (although not expressly defined as an objective) *creating conditions for development of the city and improving the quality of its environment, including revitalisation of unused sites and premises, in particular industrial.*

The support being proposed for priority 1 is specified in Chapter 8, Financing Plan, specifying the amount of support for the planning period of 2004 – 2006 (in mil. CZK):

Table no. 28

Public resources total	EU resources (ERDF)	Public resources domestic	Private resources
3,323.70	1,661.85	1,661.85	0

Source: EC, MRD, PCH

Priority 2 – Creating conditions for the future prosperity of the city

As was the case of priority 1, the characteristics of the current situation is contained in the analysis of the problems of the selected area (Chapter 4.2) and is not reiterated in the text regarding priority 2.

The objective of the priority is not explicitly declared in the text, but may be inferred based on the listing of the specific objectives under the SPD: *Increasing competitiveness of Prague's economic base, achieving better utilisation of Prague-based research and technology development capacities by enhancing their innovative functions, and improve the quality of the business environment, in particular for the SME sector, while promoting partnership as the fundamental principle of co-operation between the public sector and the private sector.*

The amount of allocated financial support from the Structural Funds and other national or international sources is specified in detail in Chapter 8, Financing Plan. Chapter 8 specifies the amount of support for priority 2 for the planning period of 2004 – 2006 (in mil. CZK):

Table no. 29

Public resources total	EU resources (ERDF)	Public resources domestic	Private resources
985.60	492.80	492.80	0

Source: EC, MRD, PCH

Used as indicators for evaluation of successfulness of this priority will be both quantifiable data – number of eligible activities, number of business entities involved, extent of joint projects and their profitability, number of new and retained jobs etc., and qualitative data, either in an aggregate form or in the form of comparative commentaries.

Priority 3 Technical assistance

Technical assistance provided by the European Commission and its organs will be used for the purposes of preparation, monitoring, evaluation and other activities related to implementation of the Single Programming Document for Objective 2.

Table no. 30

Public resources total	EU resources (ERDF)	Public resources domestic	Private resources
110.28	55.14	55.14	0

Source: EC, MRD, PCH

Summary and recommendations regarding priorities

The proposed regional priorities are based on the specific position of the Prague region. One of the most relevant criteria for their selection involved the respecting of the basic principles for provision of assistance by the European Communities within the framework of the Structural Funds established under Council Regulation (EC) No. 1260/1999. The selection of priorities therefore fully respects the principle of complementarity and is meant as a set of programmes and projects increasing the effectiveness of events that the region intends to implement, or is already implementing, with the use of its own funding or EU resources (e.g., the European Investment Bank).

The text concerning individual priorities (subchapter 5 of the document) sufficiently meet, in terms of extent and content, the general requirements regarding formulation and justification of the priorities. However, no quantified indicators of the impacts of the priorities have been specified. The proposal regarding the types of evaluating indicators is stated only in respect of priority 2. It is therefore suggested that the final text be completed accordingly.

6.4 Evaluation of financial background

The financial background of the proposed programme is specified in the five chapters of Part 8 of the document.

Chapter 8.1 specifies the bases for setting out the financial framework for the SPD, with a reference to fundamental documents of the European Commission:

Pursuant to Article 4 of Council Regulation (EC) No. 1260/1999, the European Commission proposed that support for the Prague cohesion region under Objective 2 involved an area where a maximum 31 % of the permanent population of the region live.

On this basis, it is assumed that the contribution from the Structural Funds (ERDF) under Objective 2 to the Prague NUTS 2 region may amount to € 63 million in fixed prices of 1999 (€ 71.3 million in current prices) for the entire programming period of 2004-2006.

BASIC ALLOCATION OF ASSISTANCE FROM THE STRUCTURAL FUNDS IN 2004 – 2006 (IN MILLIONS IN CURRENT PRICES)

Table no. 31

Year	€	CZK
2004	23.3	722.2
2005	23.8	736.6
2006	24.2	751.4
Total	71.3	2,210.2

Source: EC, MRD, PCH

THE SPD OBJECTIVE 2 SETS OUT THE BASIC DISTRIBUTION OF ENVISAGED ALLOCATION FROM THE STRUCTURAL FUNDS TO INDIVIDUAL PRIORITIES UNDER SPD OBJECTIVE 2 (IN € MILLION)

Table no. 32

Priority	Czech Republic Proposal	
1. Revitalisation and development of the city environment	75.2%	53.62
2. Building up the future prosperity of the selected area	22.3%	15.90
3. Technical assistance	2.5%	1.780
Total	100.0%	71.30

Sources: EC, MRD, PCH

Disbursements of assistance from the Structural Funds are tied to compliance with all of the rules set out in particular in Chapter III of Council Regulation (EC) No. 1260/1999. The end beneficiaries and the monitoring system in place in the region receiving support will be responsible for ensuring compatibility of the required assistance (Article 12) and eligibility of expenditure (Article 30 of Council Regulation (EC) No. 1260/1999).

Compared with the methodological principles and the required structure of this part, all requisites of the implementation part of SPD Objective 2 are in place, and safeguards have been included ensuring that the document will be compatible with the Community policies.

6.5 Providing for implementation of SPD Objective 2

Provision for the implementation of SPD Objective 2 is based on the principle of utilisation and reinforcement of the existing structure of authorities and institutions experienced in implementing programmes financed from domestic public funds (i.e., within the territory of the Czech Republic) and from the EU financial resources, and on the efforts towards maximum simplification of the implementation structures while preserving their functionality. Programme management will be arranged for on two basic levels:

- **the Ministry**, including the Czech Centre for Regional Development – the executive unit of the programme,
- **the Regional Council** including its Secretariat, with powers to exercise controlling functions related to project standard and implementation. This body will perform the functions of an intermediate body.

SPD Objective 2 defines the structure and tasks of the individual components of the programme implementation management and monitoring, at the same time distributing powers and responsibilities. The document further sets tasks of the final beneficiaries. The system of selecting projects under SPD Objective 2 sets the rules including, without being limited to, confirmation of the programme supplement and allocation of financial resources, the method of presenting projects and announcing an invitation to submit projects, project assessment, selection of projects and drafting agreements with final beneficiaries.

Monitoring will be performed on behalf of the controlling body by the executive unit of the programme (the Czech Centre for Regional Development) jointly with the Secretariat of the Regional Council and with the assistance of the SPD Monitoring Committee as well as other authorised units. The SPD Monitoring Committee for the Prague cohesion region will perform the functions of the programme monitoring committee and the regional development committee.

SPD Objective 2 sets out the necessary procedures, institutions and the terms and conditions of making payments for the purpose of financing the selected projects.

Compared with the methodological principles and the required structure of this part, all requisites of the implementation part of SPD Objective 2 are in place, and safeguards have been included ensuring that the document will be compatible with the Community policies.

Conclusion

The Single Programming Document for Objective 2 for the Prague cohesion region meets the requirements concerning both its contents and form, and is recommended for adoption.

Quantification of the objectives of SPD Objective 2 (global and specific objectives) continues to be an outstanding issue, and the definitions of the groups of support beneficiaries need clarification.

SPD Objective 2 provides satisfactory answers to the basic questions of the ex-ante evaluation concerning the eligibility, effectiveness and cost-efficiency of the support to the development programme from the EU Structural Funds.

DHV, Prague, 30. September 2003

7. SUMMARY OF SPD OBJECTIVE 2'S ENVIRONMENTAL IMPACT

7.1 Assessment according to proposed methodology

While evaluating SPD Objective 2, the evaluator's experts – AGRIFOR Consult consortium – have taken all the steps prescribed for evaluation and assessment of operational programmes in terms of their impacts on the environment by the methodology adopted by the steering committee of the CZ 9916 Phare project ("Strategic Environmental Assessments of Selected Operational Programmes").¹²

As the first step of the evaluation, detailed tables (matrices) of impacts were completed on the basis of a systematic assessment of each measure under SPD Objective 2. This means that a set of all potential positive and negative impacts was assessed for each measure according to the extensive group of the key environmental factors specified in the tables, and the estimated size of such impacts was determined and quantified in the table of impacts.

As the second step, the key negative environmental impacts of each measure were identified based on the averages of the values contained in the tables of impacts and based further on the subsequent discussion concerning the potential environmental impacts of the measures.

Based on the results of the systematic assessment of the measures under SPD Objective 2 and on identification of their key negative environmental impacts, it may be noted that none of the measures reached or exceeded the set criterion considered by the evaluators as the limit value for negative environmental impacts.

In respect of only one of the seven measures (2.2 Support for small and medium-sized enterprises; a favourable business environment) has the table shown values indicating an increased possibility of negative environmental impacts of the measure in the sectors of transport and protection of nature. The values ascertained are significantly better than the limit value set for the key negative environmental impacts, but still the selection of projects to be supported under this measure should receive increased attention in the context of their impact on the environment.

On the other hand, it may be noted that strongly prevailing potentially positive environmental impacts were identified in respect of four of the measures (1.1 Transport systems supporting the transformation of the city environment; 1.2 Regeneration of damaged and unsuitably used areas; 1.3 Public infrastructure improving the quality of live in mainly housing estates; 2.3 Development of strategic services in support of the information society in Prague).

As regards the remaining measure (2.1 Improving the quality of partnership between the public and private sectors, non-profit sector, science and research), the estimated potential for positive and negative impacts as identified in the summary table of impacts was approximately on the same levels (with only a small potential for negative impacts having been indicated). Still, the selection of projects to be supported under this particular measure should be paid increased attention to in the context of their potential impact on the environment.

Thus, it may be noted on the basis of the systematic assessment of each of the measures that none of the measures under SPD Objective 2 appears to involve any significant potentially

¹² The methodology of environmental assessment of operational programmes is described in the Introductory Report to the project, which has been filed with the recipient under the project – the Ministry for Regional Development.

negative environmental impacts. On the contrary, it may be noted that most of the measures have been found to involve numerous potentially positive influences.

7.2 Assessment under Act No. 244/1992 Coll., as amended

In the subsequent stage of assessing the environmental impacts of each of the measures under SPD Objective 2, numeric and verbal evaluation of the impacts of such measures has been carried out pursuant to the basic legal regulation governing the assessment of the impacts of developmental policies and programmes in the Czech Republic, to wit Act No. 244/1992 Coll., as amended.

Assessment of the environmental impacts of the measures carried out pursuant to the structure defined in Annex 3 to Act No. 244/1992 Coll., on Assessment of Environmental Impacts of Development Policies and Programmes, as amended, too, demonstrates that, subject to the selection of projects on a high-quality and competent basis, none of the measures under SPD Objective 2 will have any significantly negative environmental impact.

7.3 Assessment according to referential targets of environmental protection

Based on a recommendation of the Ministry of the Environment, the assessment of SPD Objective 2 has also been carried out according to the referential targets of environmental protection proposed by the SEA team for the assessment of the impacts of the National Development Plan ("NDP"), which referential targets formalise the environmental sector to the form of 11 priority objectives.

Thus, both programming documents (NDP and SPD Objective 2) have been assessed as to how they contribute (whether positively or adversely) to achieving the referential targets of environmental protection.

The findings of the assessment indicate that each of the measures in general improves the environment (being consistent with the referential targets). The implementation of some of the measures might result in deterioration of the environment in a certain environmental sector, but the resulting impact will always be a positive one. None of the measures will, subject to diligent and professional selection of projects, contravene the above-proposed criteria suggested for NDP.

7.4 Synoptic assessment

Based on all three assessments performed, a synoptic conclusion may be drawn that SPD Objective 2 is oriented in an environmentally positive manner and does not contain any measures that, subject to a high-quality and competent selection of projects, would implicitly result in any damage to the environment.

7.5 Compatibility with EU policies and law

The individual measures under SPD Objective 2 are not inconsistent with 6th EAP or with the environmental legislation as currently in force, subject to proper selection of projects (implementation). Particular attention should be paid to the new directives regulating noise.

It should further be emphasised that new legislation is being drafted in the EC concerning the protection of soil, which at the present moment only relates to monitoring the composition and/or contamination of soil. In general, soil is to be protected against erosion, organic mass loss, compacting and salting. In assessing SPD Objective 2, one of the chief criteria of soil protection includes the making use of "brownfields" and reducing the extent of greenfield construction projects.

In the light of 6th EAP, SPD Objective 2 may actively contribute by several measures to implementing the 6th EAP objectives. How this positive environmental potential of the measures will be exploited depends on the appropriate selection of projects.

7.6 Selection of projects

The selection of projects is the key factor for securing positive environmental impacts of the individual measures (and SPD Objective 2 as a whole). Where any potential negative influences are conceivable, the selection of projects will be a precondition for their elimination or, as the case may be, minimisation.

Therefore, it is necessary to pay maximum attention to the selection of the concrete projects and to set the environmental criteria for selection of projects as early as at the time of preparation of the tender terms for applicants for the support. On the one hand, these criteria will serve as an important guidance for the person submitting the project, while on the other hand they will enable a clear assessment of any potential environmental impacts of the projects being submitted.

8. FINANCIAL PLAN

8.1 Volume of allocated resources for SPD Objective 2

The contribution from the Structural Funds under Objective 2 to the Prague NUTS 2 region has been determined to be in the amount of € 71.3 million current prices for the entire programming period 2004 to 2006. The programme implementation will be solely supported by European Regional Development Fund (ERDF). Financial allocation of European Social Fund (ESF) for Objective 3 for the Prague region amounts to € 58,8 million in current prices.

An exchange rate coefficient of 31 CZK/ 1 € has been used as a framework guide for conversion to the local currency. Hence, under Objective 2 alone, the total contribution from the EU Structural Funds for the City of Prague region in the period 2004 to 2006 would amount to CZK 2,210.2 million.

BASIC ALLOCATION OF ASSISTANCE FROM STRUCTURAL FUNDS IN 2004-2006

Table no. 33

Year	€
2004	23,296,105
2005	23,762,027
2006	24,237,268
Total	71,295,400

Source: EC, MRD

Drawing on contributions from the Structural Funds is conditional upon an observance of all the rules referred to, primarily, in Title III of Regulation No. 1260/1999. The final beneficiaries and the monitoring system of the supported region shall secure both the compatibility of the requested assistance (Article 12) and the eligibility of the expenditure (Article 30 of Regulation No. 1260/1999).

8.2 Guidance breakdown by SPD Objective 2 priorities

The basic distribution of envisaged financial allocations from the Structural Funds for individual priorities of SPD Objective 2 is laid down taking into account the resources from the Structural Funds and other EU sources, the real share of national public and private resources, development strategy for the cohesion region and the ensuring objectives of SPD Objective 2.

SHARE OF PRIORITIES UNDER SPD OBJECTIVE 2 WITH RESPECT TO THE UTILISATION OF THE STRUCTURAL FUNDS

Table no. 34

Priority	% share
1. Revitalisation and development of the city environment	75.2
2. Building up the future prosperity of the selected area	22.3

3. Technical assistance	2.5
Total	100.00

Source: MRD, PCH

In view of time constraints affecting the preparation of programming documents for the period 2004 to 2006 and of specific projects and other operations, including their selection in accordance with rules laid down by the European Commission, one of the basic frames of reference for the optimum utilisation of assistance from the Structural Funds is the state of knowledge in respect of individual potential operations and their level of preparation. For individual priorities, it is envisaged that the drawing of financial assistance from the Structural Funds in individual years will be undertaken at an essentially consistent rate. Minor disparities between measures under priorities are there to reduce risks associated with the lack of preparedness of specific projects.

Financial demands and forms of assistance will be assessed differentially in accordance with the nature of the projects in respect of specific items of assistance from the Structural Funds and, in particular, private sector participation. National directives regarding the level of business sector support, especially of an investment nature, will (among other things) be adhered to here. Specific contribution limits pursuant to Article 29 of Regulation No. 1260/1999 are contained in Chapter 11 – Framework implementing provisions. There will be a predominant share of investment resources under assistance from the EU resources. The tables below indicate the financial maximums for the programming period 2004 to 2006, which have been derived from the potential assistance from the Structural Funds by the individual type of resources.

8.3 Share of Czech public resources

When applying an approximately 50:50 share of resources between EU public funds and Czech Republic's public funds for similar operations (projects) financed from the Structural Funds, it is clear that the beneficiary (the Czech Republic and Prague region) must secure the necessary amounts in its public budgets (city budget, state budget, state funds etc.). The relevant amount of resources for implementation will be specifically determined in view of the minimum amount of advances for financial operations that implement selected measures and in consideration of the forms of supplementing contributions from EU resources. This mainly concerns direct investors of projects, i.e. primarily regional administrative bodies and their organisations. The Prague region is also counting on the substantial utilisation of loans from the European Investment Bank, the initial tranches of which are already being utilised for similar projects.

The amount of financial resources in respect of SPD Objective 2, which are referred to in the following tables, may be further updated following a definitive clarification of the financial framework of the National Development Plan, but only to the extent of substitution of individual forms of participation within the context of national sources.

The estimate of the state funds financial contribution. The total amount is listed in the table below:

State fund of transport infrastructure	30,9 %
State environmental fund	25,7 %
State property fund	43,4 %

The annual share is estimated equally for all funds: the year 2004 - 29,5 %, 2005 - 36,2 % and 2006 - 34,3 %.

The overall shares of public resources, especially for measures where the participation of private financial resources is envisaged, are in line with the rules of such participation as specified by the relevant provisions of Regulation No. 1260/1999. More details are provided in chapter 11.

8.4 Indicative allocation per measure in the SPD Objective 2

The following table presents indicative allocations per measure. The detailed allocation will be specified in the Programme Complement.

INDICATIVE ALLOCATION OF STRUCTURAL FUNDS PER EACH MEASURE FOR PROGRAMMING PERIOD 2004 – 2006 (in €)

Table no. 35

Priority/measure	Financial share of measure in Priority %
Priority 1	
measure 1.1	35 – 45
measure 1.2	35 – 45
measure 1.3	10 – 30
Total	100
Priority 2	
measure 2.1	40 – 50
measure 2.2	40 – 50
measure 2.3	10 – 20
Total	100
Priority 3	
measure 3.1	60 – 70
measure 3.2	30 – 40
Total	100

Source: MRD, PCH

8.5 Co-ordination with other financial instruments (EIB)

The European Investment Bank is the European Union long-term financing institution. It started its operations in the Czech Republic in 1992 and, by end 2002, cumulative loans signed reached a total of € 3.8 bn. The Bank is strongly committed to reinforce and support EU policy objectives, and undertakes close co-operation with the European Commission.

The EIB will also provide technical assistance to authorities and the private promoters involved. This will help the preparation, implementation and monitoring of the projects and programmes included in the SPD, particularly those co-financed by the Bank.

The EIB may lend to both public and private promoters, as well as to structures involving both (PPPs). Support to enlargement has been identified as a “new macro-initiative” by the EIB, which will be acting to ensure that adequate and appropriate resources are available. EIB loans could also cover projects or programmes pertaining to sectors or priorities beyond the SPD.

FINANCIAL TABLE SHOWING PRIORITIES FOR THE PERIOD 2004 – 2006 (in €, current prices)

Table no. 36

SPD Objective 2 for the City of Prague cohesion region															
Priority/year	Total expenditure	PUBLIC RESOURCES										Private resources*	Cohesion fund	EU initiatives and other EU programmes	EIB/CMGDB loans
		Total	Community participation			national public resources participation									
			Total	ERDF	ESF	EAGGF	Total	State	Region	Local	STIF, SEF, NPF				
Priority 1															
2004	35,420,956	35,420,956	17,710,478	17,710,478	-	-	17,710,478	6,821,796	7,309,401	630,595	2,948,686	0	-	0	10,267,951
2005	35,829,620	35,829,620	17,914,810	17,914,810	-	-	17,914,810	6,654,183	6,896,928	745,896	3,617,803	0	-	0	8,446,218
2006	35,989,678	35,989,678	17,994,839	17,994,839	-	-	17,994,839	6,769,811	6,584,885	1,209,559	3,430,584	0	-	0	7,236,720
total	107,240,254	107,240,254	53,620,127	53,620,127	-	-	53,620,127	20,245,790	20,791,214	2,586,050	9,997,073	0	-	0	25,950,889
Priority 2															
2004	10,001,218	10,001,218	5,000,609	5,000,609	-	-	5,000,609	2,368,417	2,365,361	266,831	-	0	-	441,632	0
2005	10,455,812	10,455,812	5,227,906	5,227,906	-	-	5,227,906	2,381,985	2,555,137	290,784	-	0	-	450,465	0
2006	11,336,328	11,336,328	5,668,164	5,668,164	-	-	5,668,164	2,601,204	2,759,146	307,814	-	0	-	574,343	0
total	31,793,358	31,793,358	15,896,679	15,896,679	-	-	15,896,679	7,351,606	7,679,644	865,429	-	0	-	1,466,440	0
Priority 3															
2004	1,170,036	1,170,036	585,018	585,018	-	-	585,018	353,161	231,857	0	-	0	-	0	0
2005	1,238,622	1,238,622	619,311	619,311	-	-	619,311	337,771	281,540	0	-	0	-	0	0
2006	1,148,530	1,148,530	574,265	574,265	-	-	574,265	229,659	344,606	0	-	0	-	0	0
total	3,557,188	3,557,188	1,778,594	1,778,594	-	-	1,778,594	920,591	858,003	0	-	0	-	0	0
Total															
2004	46,592,210	46,592,210	23,296,105	23,296,105	-	-	23,296,105	9,543,374	9,906,619	897,426	2,948,686	0	-	441,632	10,267,951
2005	47,524,054	47,524,054	23,762,027	23,762,027	-	-	23,762,027	9,373,939	9,733,605	1,036,680	3,617,803	0	-	450,465	8,446,218
2006	48,474,536	48,474,536	24,237,268	24,237,268	-	-	24,237,268	9,600,674	9,688,637	1,517,373	3,430,584	0	-	574,343	7,236,720
Total 2004 - 6	142,590,800	142,590,800	71,295,400	71,295,400	-	-	71,295,400	28,517,987	29,328,861	3,451,479	9,997,073	0	-	1,466,440	25,950,889

* Participation of private resources will be measured as an output indicator. Note: The base for calculation of payments will be total public expenditure.

Source: EC, MRD, PCH

FINANCIAL TABLE SHOWING PRIORITIES FOR THE YEAR 2004 (in €, current prices)

Table no. 37

SPD Objective 2 for the City of Prague cohesion region															
Priority/year	Total expenditure	PUBLIC RESOURCES										Private resources*	Cohesion fund	EU initiatives and other EU programmes	EIB/CMGDB loans
		Total	Community participation				national public resources participation								
			Total	ERDF	ESF	EAGGF	Total	State	Region	Local	STIF, SEF, NPF				
Priority 1	35,420,956	35,420,956	17,710,478	17,710,478	-	-	17,710,478	6,821,796	7,309,401	630,595	2,948,686	0	-	0	10,267,951
Priority 2	10,001,218	10,001,218	5,000,609	5,000,609	-	-	5,000,609	2,368,417	2,365,361	266,831	-	0	-	441,632	0
Priority 3	1,170,036	1,170,036	585,018	585,018	-	-	585,018	353,161	231,857	0	-	0	-	0	0
Total 2004	46,592,210	46,592,210	23,296,105	23,296,105	-	-	23,296,105	9,543,374	9,906,619	897,426	2,948,686	0	-	441,632	10,267,951

* Participation of private resources will be measured as an output indicator.

Source:EC, MRD, PCH

FINANCIAL TABLE SHOWING PRIORITIES FOR THE YEAR 2005 (in €, current prices)

Table no. 38

SPD Objective 2 for the City of Prague cohesion region															
Priority/year	Total expenditure	PUBLIC RESOURCES										Private resources*	Cohesion fund	EU initiatives and other EU programmes	EIB/CMGDB loans
		Total	Community participation				national public resources participation								
			Total	ERDF	ESF	EAGGF	Total	State	Region	Local	STIF, SEF, NPF				
Priority 1	35,829,620	35,829,620	17,914,810	17,914,810	-	-	17,914,810	6,654,183	6,896,928	745,896	3,617,803	0	-	0	8,446,218
Priority 2	10,455,812	10,455,812	5,227,906	5,227,906	-	-	5,227,906	2,381,985	2,555,137	290,784	-	0	-	450,465	0
Priority 3	1,238,622	1,238,622	619,311	619,311	-	-	619,311	337,771	281,540	0	-	0	-	0	0
Total 2005	47,524,054	47,524,054	23,762,027	23,762,027	-	-	23,762,027	9,373,939	9,733,605	1,036,680	3,617,803	0	-	450,465	8,446,218

* Participation of private resources will be measured as an output indicator

Source:EC, MRD, PCH

FINANCIAL TABLE SHOWING PRIORITIES FOR THE YEAR 2006 (in €, CURRENT PRICES)

Table no. 39

SPD Objective 2 for the City of Prague cohesion region															
Priority/year	Total expenditure	PUBLIC RESOURCES										Private resources	Cohesion fund	EU initiatives and other EU programmes	EIB loans
		Total	Community participation			national public resources participation									
			Total	ERDF	ESF	EAGGF	Total	State	Region	Local	STIF, SEF, NPF				
Priority 1	35,989,678	35,989,678	17,994,839	17,994,839	-	-	17,994,839	6,769,811	6,584,885	1,209,559	3,430,584	0	-	0	7,236,720
Priority 2	11,336,328	11,336,328	5,668,164	5,668,164	-	-	5,668,164	2,601,204	2,759,146	307,814	-	0	-	574,343	0
Priority 3	1,148,530	1,148,530	574,265	574,265	-	-	574,265	229,659	344,606	0	-	0	-	0	0
Total 2006	48,474,536	48,474,536	24,237,268	24,237,268	-	-	24,237,268	9,600,674	9,688,637	1,517,373	3,430,584	0	-	574,343	7,236,720

* Participation of private resources will be measured as an output indicator.

Source: EC, MRD, PCH

Note: The base for calculation of SF contribution will be total public expenditures.

9. EX ANTE VERIFICATION OF ADDITIONALITY OF SPD OBJECTIVE 2

9.1 Ex ante verification of additionality

Verification of additionality takes place on the basis of Article 11 of the Regulation. It forms a necessary part of the SPD 3, serving as a proof that European funds are not going to be used in lieu of finance from the national public sources. A separate verification of additionality has been elaborated for SPD 3 because no ESF funds are allocated within the framework of SPD 2. Active labour market policy costs at the national level (i.e. the Czech Republic as a whole) were used in the ex-ante verification of additionality.

In the previous programming period, the Czech Republic did not draw any allocations from the Structural funds. The pre-accession assistance grants for active labour market policy came from the Palmif programme. The additionality has been calculated on the basis of data concerning funds actually employed in the period 1999 – 2001, and an expenditure preview for the period 2004 – 2006.

The data used in the ex-ante verification of additionality express the active labour market policy spending of the Czech employment offices and the MoLSA Employment Services Administration, structured as follows:

- Public employment services – salaries and insurance, material expenditure, capital expenditure (investments);
- Labour market training – re-qualification and motivation training, in-work training, state-supported re-qualification training, material expenditure on re-qualification;
- Labour cost subsidies – publicly beneficial work;
- Labour cost subsidies – socially purposeful jobs, i.e. subsidies, interests, loans from employers, individual loans;
- Youth measures – vocational practice for school leavers;
- Measures for the people with disabilities – establishing and running of sheltered workshops, working rehabilitation and other measures;
- Measures for employers employing people with disabilities. Since the year 2002, financial assistance has been provided on the basis of Article 24(a) Act No. 1/1991 as amended, investment grant and returning financial aid for employers employing more than 50 per cent people with disabilities.
- Other labour market measures – benefit for employers to substitutes part of wages in connection with transformation to new entrepreneurial programme, activation programmes for registered job seekers, information regional and national labour market materials, implementation of labour market, seminars and conferences aimed at employment and human resources development, ensure of balance diagnostic working place functionality, regional examinations, expert and external reports for employment (LM), realization of seminars for preparation and implementation of National Employment Acton Plan measures for subjects influencing labour market, ensure of national examinations, specialist studies, expert and external reports of labour market situation.

As the verification of additionality has been carried out at the national level, the 2004-2006 total funds include also the overall ESF allocation to the active labour market policy, i.e. not only the allocations to Objective 3, namely SPD 3, but also the allocations to Objective 1, namely the OP HRD. The national and ESF funds have been taken from the financial plans provided in the SPD 3 Chapter 5 – Financial Framework and in the OP HRD Chapter 3 – Financial Framework. Only the funds destined to the active labour market policy are included herein.

The active labour market policy expenditures in the years 2004 – 2006 express the mid-term requirements of the MoLSA and will depend on the national budget to be elaborated by the Ministry of Finance.

The figures shown in the following tables with regard to the period 1999 – 2001 and 2004 – 2006, respectively, have been translated into the 1999 prices.

Public expenditure – year 1999 (mil. CZK)

Table no. 40

	Total	Phare		Not EU co-financed	TOTAL
	National + EU	EU**	National	National	National
Public employment services	1 736,4	0,0	0,0	1 736,4	1 736,4
Labour market training (re-qualification)	242,7	6,5	0,0	236,2	236,2
Labour costs subsidies - publicly beneficial work	481,9	0,0	0,0	481,9	481,9
Labour costs subsidies – socially purposeful jobs	534,9	9,3	0,0	525,6	525,6
Youth measures (school leavers)	304,8	0,0	0,0	304,8	304,8
Measures for people with disabilities	168,6	2,8	0,0	165,8	165,8
Employers employing people with disabilities	0,0	0,0	0,0	*0,0	0,0
Other labour market measures	27,5	0,0	0,0	27,5	27,5
Total	3 496,8	18,6	0,0	3 478,2	3 478,2

Note: * Employers employing people with disabilities received subsidies in accordance with the Principles announced by the MF CR in the Financial Bulletin 1/1999, i.e. the „Principles for Providing Subsidies from the Czech National Budget in the Year 1999 to Entrepreneurs Employing People with Disabilities “ – the allocations were not monitored by the MoLSA, nevertheless.

** Pre-accession assistance from Phare Palmif.

Source: MoLSA document Governmental Employment Policy Expenditure in 1999, and internal MoLSA materials.

Public expenditure – year 2000 (mil. CZK)

Table no. 41

	Total	Phare		Not EU co-financed	TOTAL
	National + EU	EU**	National	National	National
Public employment services	1 560,6	0,0	0,0	1 560,6	1 560,6
Labour market training (re-qualification)	337,9	5,0	0,0	332,9	332,9
Labour costs subsidies - publicly beneficial work	730,8	0,0	0,0	730,8	730,8
Labour costs subsidies – socially purposeful jobs	959,6	7,1	0,0	952,6	952,6
Youth measures (school leavers)	344,6	0,0	0,0	344,6	344,6
Measures for people with disabilities	190,0	2,1	0,0	187,9	187,9
Employers employing people with disabilities	0,0	0,0	0,0	*0,0	0,0
Other labour market measures	30,4	0,0	0,0	30,4	30,4
Total	4 154,0	14,2	0,0	4 139,8	4 139,8

Note: * Employers employing people with disabilities received subsidies in accordance with the Principles announced by the MF CR in the Financial Bulletin 2/2000, i.e. the „Principles for Providing Subsidies from the Czech National Budget in the Year 2000 to Entrepreneurs Employing People with Disabilities “ – the allocations were not monitored by the MoLSA, nevertheless.

** Pre-accession assistance from Phare Palmif

Source: MoLSA document Governmental Employment Policy Expenditure in 2000, and internal MoLSA materials.

Public expenditure – year 2001 (mil. CZK)

Table no. 42

	Total	Phare		Not EU co-financed	TOTAL
	National + EU	EU**	National	National	National
Public employment services	1 488,6	0,0	0,0	1 488,6	1 488,6
Labour market training (re-qualification)	358,7	7,0	0,0	351,8	351,8
Labour costs subsidies - publicly beneficial work	849,8	0,0	0,0	849,8	849,8
Labour costs subsidies – socially purposeful jobs	968,3	9,9	0,0	958,3	958,3
Youth measures (school leavers)	357,0	0,0	0,0	357,0	357,0
Measures for the people with disabilities	197,1	3,0	0,0	194,2	194,2
Employers employing people with disabilities	346,3	0,0	0,0	*346,3	346,3
Other labour market measures	59,0	0,0	0,0	59,0	59,0
Total	4 624,9	19,9	0,0	4 605,0	4 605,0

Note: * Pursuant to the MoLSA Principles for Granting Subsidies and Repayable Financial Assistance to Enterprises Employing More Than 50 per cent people with disabilities, non-investment subsidies were granted in the year 2001 for the purpose of covering increased personnel costs incurred in employing people with disabilities.

Pursuant to Article 24(a) Act No. 1/1991 on Employment, as amended, in force since 1 January 2002, an employer employing more than 50 per cent people with disabilities is entitled to receive a contribution. The contribution is in lieu of the non-investment subsidies formerly provided under the Principles for Granting Subsidies and Repayable Financial Assistance to Enterprises Employing More Than 50 per cent people with disabilities. In this document, the contributions are included in the tables for the period 2004 – 2006.

** Pre-accession assistance from Phare Palmif

Source: MoLSA document Governmental Employment Policy Expenditure in 2001, and internal MoLSA materials.

9.2 Verification at the end of the period

A verification shall take place before 31 December 2007. Additionality is regarded as verified if the annual average of national public eligible expenditure in the years 2004 to 2006 has at least reached the level of expenditure agreed on ex-ante. The submission of no or methodologically insufficient information shall be regarded as non-compliance. Therefore the Czech authorities will present information according to the following calendar:

- By 31 July 2007: presentation of aggregate and annual tables with final data on the years 2004 and 2005 as well as provisional data for the year 2006;
- By 31 October 2007: if necessary, methodological improvements on the basis of the Commission's comments;
- By 31 December 2007: deadline for the submission of any additional information.

The Czech authorities (Ministry of Finance) will inform the Monitoring Committee of the CSF of the results of the verification of additionality which will be taken into account in the preparations of the subsequent programming period.

Ex ante verification of additionality for Objective 3 - Public expenditure on active labour market policy (in mil. EUR, 1999 prices)

Table no. 43

	Annual average 1999 – 2001					Annual average 2004 - 2006				
	Total	Phare		Not EU co-financed	TOTAL	Total	ESF		Not EU co-financed	TOTAL
	National + EU	EU	National	National	National	National + EU	EU	National	National	National
Active labour market policies	132,0	0,6	0,0	131,4	131,4	178,9	25,3	9,4	144,2	153,6
Public employment services	51,5	0,0	0,0	51,5	51,5	58,8	1,6	0,6	56,5	57,1
Labour market training	10,1	0,2	0,0	9,9	9,9	27,0	9,5	3,5	14,0	17,6
Labour costs subsidies	48,7	0,3	0,0	48,4	48,4	38,0	7,1	2,7	28,2	30,9
Youth measures	10,8	0,0	0,0	10,8	10,8	18,5	4,7	1,8	12,0	13,8
Measures for the people with disabilities	6,0	0,1	0,0	5,9	5,9	9,9	2,4	0,9	6,6	7,5
Employers employing people with disabilities	3,7	0,0	0,0	3,7	3,7	18,0	0,0	0,0	18,0	18,0
Other labour market measures	1,3	0,0	0,0	1,3	1,3	8,7	0,0	0,0	8,7	8,7
Total	132,0	0,6	0,0	131,4	131,4	178,9	25,3	9,4	144,2	153,6

Note: Exchange rate 31 CZK/EUR

10. PARTNERSHIP

The Single Programming Document for Objective 2 for the Prague NUTS 2 region has been prepared in compliance with the principles governing the provision of assistance from the Structural Funds of the European Communities, and thus with the partnership principle pursuant to Article 8 of Regulation No. 1260/1999.

The basic strategic document on which SPD Objective 2 for the City of Prague region is based is the Prague Strategic Plan and its implementation programme, which defines the strategic priorities, programmes and projects for the period 2000 to 2006. This document and its implementation programme were approved by the Prague Municipal Assembly and are being gradually implemented. Fulfilment of the strategic policy of the city is being monitored and evaluated on an annual basis.

10.1 Partnership in preparation of the programme

From the outset, the preparation of the Prague Strategic Plan in the second half of the 1990s was guided by an effort to bring about a partnership dialogue between the public and private sectors, citizens and civic associations, entrepreneurs, politicians, experts and the city and state administrations. The strategic plan was therefore conceived as being of relevance to all those who live, work and conduct business in Prague. It was established on the basis of a broad discussion on key topics relating to the development of the city.

The Prague City Council, under Resolution No. 1589 of 29 September 2001, set up a committee for the preparation of the SPD with a view to strengthening the principle of partnership in the preparation of SPD Objective 2, ensuring expert supervision and co-ordinating work on SPD Objective 2 and SPD Objective 3 (guarantor: Ministry of Labour and Social Affairs of the Czech Republic).

The above committee brought together key partners involved in the preparation of both Single Programming Documents for the City of Prague cohesion region. It was composed of 4 representatives of the city's political leadership, 1 representative of the city administration, 2 representatives of the team responsible for drawing up the document, 1 representative of the Czech Ministry for Regional Development as the managing authority for the preparation of SPD Objective 2, and single representatives of the Prague deputies of the Czech Parliament, Prague Labour Office, Czech Statistical Office – regional representation for the City of Prague, Prague Chamber of Commerce and Prague non-profit sector. The committee evaluated all important phases of the document preparation until termination of its activities after the November 2002 municipal elections.

With a view to ensuring the co-ordination of preparation of SPD Objective 2 and SPD Objective 3, the SPD Committee delegated representatives of the City of Prague to the working groups of the Ministry of Labour and Social Affairs of the Czech Republic responsible for the preparation of SPD Objective 3.

10.2 Partnership in implementation of the programme

It is essential for the successful implementation of the programme to create structures that will ensure an effective and efficient co-operation of all partners involved in implementation of the programme.

Therefore, the new political representatives of the City of Prague elected in November 2002 resumed the activities of the SPD Committee in early 2003 by Prague City Council Resolution No. 0062 of 28 January 2003. The task of the new SPD Committee of the Prague City Council is to supervise the completion of the preparation of the city's documents (and their respective programme complements) and to serve the Prague City Council as an advisory body during the process of implementation of both programmes on issues related to utilisation of the EU Structural Funds in the period 2004 – 2006. The SPD Committee again fully works on the partnership principle and with a similar composition as its predecessor committee. Its new partners include the Czech Ministry of Labour and Social Affairs, the Czech Ministry of Finance, and the numerous groups of Prague-based not-profit organisations has two representatives on the current SPD Committee – one of them being the “Good Will Committee” for social matters and the “Green Circle” for issues of the city environment and its development.

Non-profit sector were being established in the Czech Republic after 1989 in the context of the notorious deficiencies of the former totalitarian regime, which imposed a ban on any civic initiatives. Unlike the organisations comprising the official National Front, these organisations were established from the grassroots, fighting for their place in the sun. As time went on, their position was dealt with by partial measures, which, however, have not been transformed into an appropriate legal framework for their operations. NGOs, even those that provide services to citizens on a long-term basis, have been financed solely on the basis of non-systemic state (regional, municipal, communal) subsidies, which proves to be a major disadvantage of NGOs as compared to budgetary and contributory organisations. In the context of the Czech Republic's accession to the European Union, however, Czech NGOs are as competent as NGOs in other European countries.

At least a thousand non-governmental non-profit organisations (NGOs) with legal personality are operating in the City of Prague (in descending order based on numerosness): civic associations, foundations, publicly beneficial corporations, foundation funds, and special-purpose church establishments. They reflect the needs and attitudes of the citizens living in the capital, at whose initiatives these organisations are being established. Majority of NGOs specialise in provision of social and health services, educational services, and services to children, youth and the family. Other NGOs are active in the field of the environment, information, non-commercial culture, and the promotion and protection of human rights. NGOs, directly or indirectly, point out drawbacks and discrepancies, in particular in relation to observance of democratic principles. They also engage in connection with legislative changes. Voluntary activities are an important characteristic of the non-profit sector – about one hundred NGOs in the City of Prague engage in voluntary service.

Apart from their contribution to the society in the form of their principal activities, which increases the offer of services and civic activities in the City of Prague, civic associations, publicly beneficial corporations and special-purpose church establishments are important employers. Foundations and foundation funds raise funds from private sources and use them to support the operations and activities of NGOs, which receive only partial coverage for their services and activities from public resources. Thus, NGOs are not merely consumers of public finances, but take an active part in generating values and building up Prague's economic potential. Given the nature of their activities, experience and flexibility, the Prague-based NGOs expect that, in the process of utilisation of the European Union's Structural Funds, they will actually become genuine partners of the public administration, and not only the “final beneficiaries”.

NGOs are registered in different manners. The Czech Ministry of the Interior maintains a register of civic associations; the Ministry of Justice registers foundation funds; courts maintain the register of foundations; and the Ministry of Finance keeps a database of NGOs that receive state subsidies. Therefore, the Governmental Council for NGOs is preparing a tender through which it intends to find an organisation that would maintain a database of all NGOs. This will allow better opportunity to analyse the multifaceted activities of NGOs. Pursuant to the upcoming amendment to the Czech Civil Code, NGOs are to be divided to public benefit and mutual benefit non-governmental organisations.

The database of the Information Centre of NGOs (ICN) lists 557 NGOs based in Prague. This number comprises 380 civic associations, 61 foundations, 26 foundation funds, 41 publicly beneficial corporations, and 15 organisations established by the church. The rest consists of cooperatives and agencies engaging in non-profit activities. The ICN database registers 113 NGOs based in the Central Bohemia region. These statistics, however, include only a minor part of the NGOs actually operating in the territory of the City of Prague and the region of Central Bohemia.

11. GENERAL IMPLEMENTING PROVISIONS FOR PROGRAMME IMPLEMENTATION AND PUBLICITY

11.1 Introduction

In accordance with Council Regulation No 1260/1999, this Chapter lays down the implementation rules for the Single Programming Document Objective 2 for Prague.

This Chapter regulates the general framework for the management, financial flows, control, monitoring, and evaluation of the SPD. A detailed description of all relations, responsibilities, and operations of all the bodies involved will be specified in the Programme Complement, or in other documents (e.g. Implementation Manual).

11.1.1 Implementation arrangements

Implementation shall lay down:

- the structure of the bodies and institutions responsible for the management and implementation of the SPD Objective 2 and projects – the "implementation structure",
- a set of operations and procedures for implementation of the programme (information and publicity, selection of projects, monitoring, payments, material and financial checks) while observing the requirements of the relevant EC Council regulations (especially Council Regulation (EC) No. 1260/1999) and regulations of the Czech Republic for the management of public resources:
 - manuals – a description of the work procedures for activities of all entities managing the programme,
 - guidelines for applicants (application form, payment application form, monitoring report format, additional instructions and information).

The basic principle is to use and strengthen the existing structure of bodies and institutions which have experience with the implementation of programmes financed from national public and EU resources. This is particularly the case for the shortened programme period 2004 to 2006. The implementation arrangements for the SPD Objective 2 (see chart no. 3) are based on the simplified and functional structure, i.e. to create only a limited number of intermediate bodies between the managing and paying authority and the final beneficiaries on the other hand.

The implementation structure of the SPD Objective 2 will be aligned as far as possible to the implementation arrangements for other SF-programmes, especially the Joint Regional Operational Programme and SPD Objective 3.

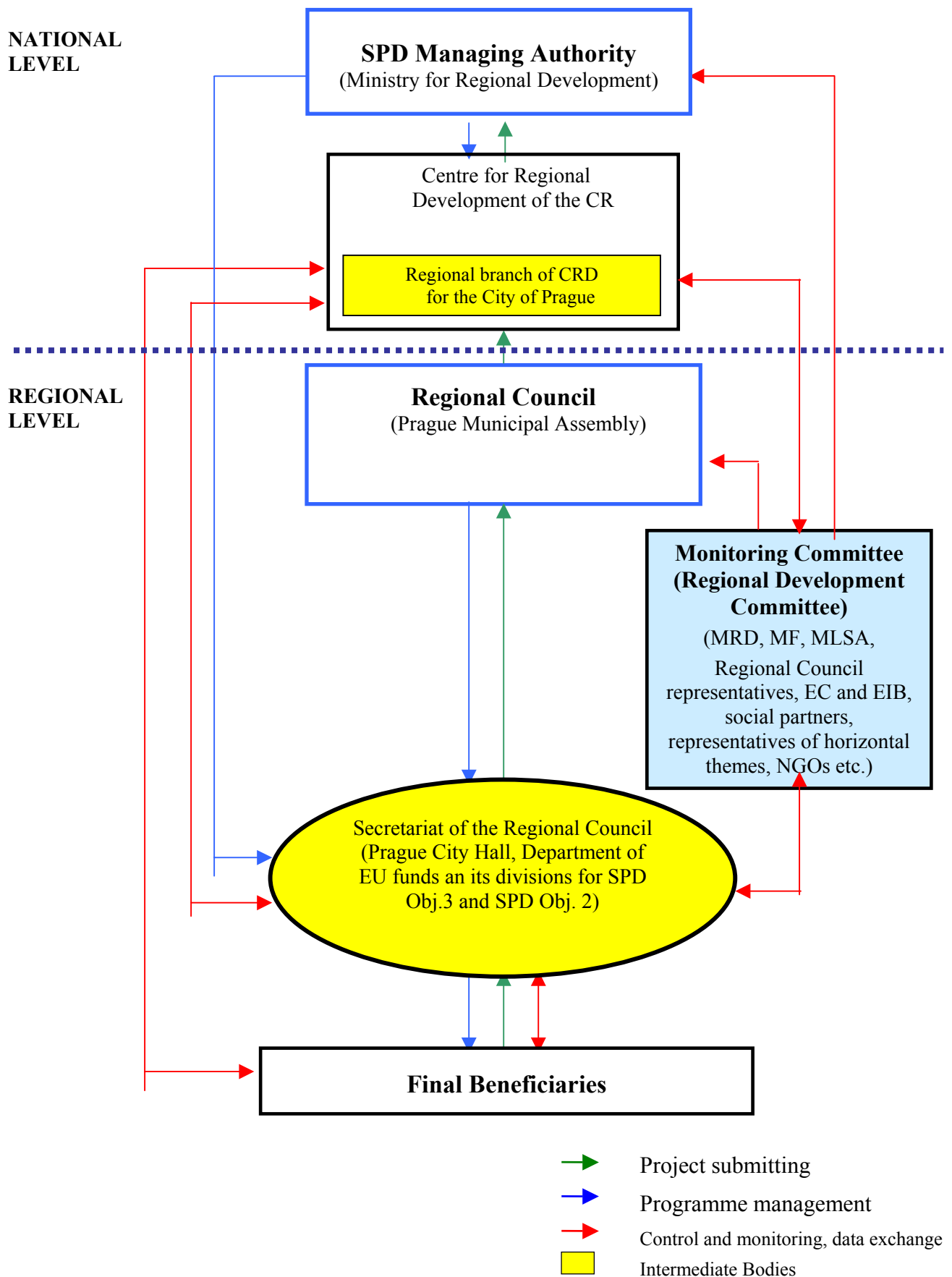
11.1.2 General provisions

The implementation arrangements of SPD Objective 2 shall be based on the requirements of Article 19(3)(d) of Council Regulation No. 1260/1999 and shall be governed by all the regulations that have been adopted on the basis of authorisation pursuant to Article 53(2) of the same Regulation. These will include the following Commission regulations (EC):

- a) No. 1145/2003 of 27 June 2003 (detailed rules for eligibility of expenditure of operations co-financed by the Structural Funds),

- b) No. 643/2000 of 28 March 2000 (rules for using the euro for the purposes of the budgetary management of the Structural Funds),
- c) No. 438/2001 of 2 March 2001 (detailed rules for the management and control systems regarding financial management and financial control),
- d) No. 448/2001 of 2 March 2001 (detailed rules for making financial corrections),
- e) No. 1159/2000 of 30 May 2001 (detailed rules for information and publicity measures to be carried out by the Member States concerning assistance from the Structural Funds).

SPD OBJECTIVE 2 MANAGING AND MONITORING STRUCTURES



11.2 Programme management

11.2.1 Managing authority and basic management structures

The managing authority of SPD Objective 2 is the Czech Ministry for Regional Development. Within the Ministry, the functions of the Managing Authority are carried out by Department of Managing Authority for Joint Regional Operational Programme and Single Programming Document Prague.

Managing Authority of the SPD Objective 2

Managing Authority of the SPD Objective 2	Ministry of Regional Development
Department with delegated performance of the Managing Authority function	the Department of the Managing Authority of the Joint Regional Operational Programme and the Single Programming Document Prague
Seat	Staroměstské nám. 6, 110 15 Prague 1).
Responsible person	Mgr. Věra Jourová, Director
Telephone	+420 224 861 557
Fax	+420 224 861 560
Email	Vera.Jourova@mmr.cz

It will be within the Ministry's responsibility to secure implementation of SPD Objective 2 in compliance with the requirements of Article 19(3)(d) and Article 53(2) of the Regulation, while observing EU and national rules and regulations. The Managing Authority will be responsible for the efficiency and correctness of management and implementation of assistance. Intermediate bodies will carry out tasks on behalf of the Managing authority. The management of the programme will be secured on two basic levels (national and regional):

1. **The Ministry**, including the Czech Centre for Regional Development ("CRD") (intermediate body), which will take full responsibility for the implementation of the programme and for communication with both the Commission and the Ministry of Finance (Paying authority and central administrative authority for financial control),
2. **Regional Council¹³, including the Secretariat of the Regional Council**, to which the Ministry shall delegate certain functions concerning project selection and implementation. This body shall also fulfil the role of an intermediate body.

The management of the SPD Objective 2 will be supervised by the Monitoring Committee.

The management structures and the different bodies involved in the management of the SPD will be audited in the second half of 2003 in order to verify their capability to secure the designated tasks.

¹³ The establishment and functions of regional councils are defined in Article 16 of Act No. 248/2000 Coll., on Support for Regional Development. This is a political body, composed solely of members of regional assemblies. In the case of the City of Prague, where the region (level NUTS 3) forms a NUTS 2 territorial unit, the role of regional council is fulfilled by the regional assembly.

11.2.2 Management tasks within the Managing Authority in MRD

Department of JROP and SPD Prague shall bear, as Managing Authority, overall responsibility for implementation of SPD Objective 2. It shall delegate some of its tasks to the Czech Centre for Regional Development (point 11.2.3) and to the Regional Council (point 11.2.4). The delegation of functions shall be laid down in written agreements after consultation with the Paying authority.

Within the scope of its management functions, without the functions delegated to the aforementioned bodies, the Ministry shall be responsible in particular for:

- a) introducing a monitoring system (compatible with Monitoring System for the Structural Funds) and providing data exchange with the Commission; securing access to the system for CRD and for the Regional Council (or bodies entrusted with management and executive functions by the Regional Council),
- b) securing contact with the Commission and the Paying authority; presenting the necessary data to these authorities in the stipulated form,
- c) methodologically managing the entire programme implementation process (issuing directives, methodologies and manuals for all sections connected with implementation of the programme),
- d) concluding contracts with the final beneficiaries on support, including the granted aid and conditions for the provision of support from the Structural Funds and Czech resources,
- e) preparing annual reports on the implementation of the programme and presenting them to the Commission,
- a) drawing up the annual report on the implementation of the programme and, after approval of Monitoring Committee, presenting it to the European Commission,
- f) ensuring the correctness of operations financed under the assistance, mainly by introducing internal control measures,
- g) ensuring that all bodies involved maintain a separate accounting system and use an adequate code designation of accounts for all transactions related to the assistance,
- h) presenting payment applications to the paying authority (via the paying unit in the Ministry),
- i) chairing the Monitoring Committee,
- j) securing the training of staff of CRD and of the Secretariat of the Regional Council.

11.2.3 Intermediate bodies

The managing authority of the programme shall delegate (pursuant to point 11.2.2) several operational tasks to the Czech Centre for Regional Development¹⁴:

Contact address: Centre for Regional Development of the Czech Republic, Vinohradská 46, Praha 2, postcode: 120 00

Contact person: RNDr. Ivo Ryšlavý, Director, tel. 420 221 580 201

This intermediate body will secure the implementation of all measures of the SPD Objective 2. For the direct support for SMEs envisaged in measure 2.2, other intermediate bodies are

¹⁴ Currently the implementation agency for Economic and Social Cohesion under Phare, and also for Joint Regional Operational Programme and Community Initiative Programme Interreg .

appointed such as the Czech-Moravian Guarantee and Development Bank (ČMZRB), a.s. (for loans and guarantee funds) and CzechInvest a.s. (for investment aid schemes). This list might be extended and/or adapted during the implementation of the programme, based on gained experience.

The Centre for Regional Development shall perform the following tasks:

- a) methodologically managing the process of declaring and implementing project presentation and evaluation rounds,
- b) preparing draft agreements with the final beneficiaries for the provision of support, as well as the data contained in these agreements (financial and material indicators),
- c) where necessary, preparing draft adjustments to individual measures in the programme complement (instructed by the Ministry), after negotiations with the Regional Council or on its own initiative,
- d) compiling supporting documents for the annual report for individual measures under the SPD Objective 2,
- e) verifying the correctness of projects via on-the-spot monitoring visits within the meaning of Article 4 of Commission Regulation (EC) No. 438/2001 (verifications shall involve the participation of the Secretariat of the Regional Council),
- f) receiving payment applications from final beneficiaries and, after verification and assessment, presenting them to the managing authority (arranged by priority and measure),
- g) laying down a procedure for a communication action plan,
- h) providing administrative support to the Monitoring Committee.

In the Prague NUTS 2 region, the CRD shall establish its regional office – the **Regional Branch of CRD**, which shall co-operate with the Secretariat of the Regional Council.

The Regional Branch of CRD shall secure the tasks mentioned in point 11.2.3 (b), (e) and (f).

11.2.4 Management tasks within the Regional Council's remit

The **Regional Council** (see 11.2.1) in the Prague NUTS 2 region shall **set up a Secretariat**¹⁵, for supporting its decision-making activities.

The following tasks shall be performed by the Regional Council and its Secretariat:

- a) announcing invitation rounds to tenders for the submission of projects;
- b) gathering project documentation;
- c) securing project selection on the basis of criteria approved by the Monitoring Committee of the programme;
- d) proposing the grant for project in compliance with the overall financial framework of SPD Objective 2 and its Programme Complement;
- e) assessing the compliance of projects with Community policies (Articles 12 and 34(1)(g) of the Regulation) and the eligibility of the proposed cost, especially with regard to the availability of national co-financing pursuant to Articles 28 to 30 of the Regulation;
- f) providing overall monitoring on the progress of implementation of the programme;

¹⁵ NUTS II Prague the Prague Regional Council has established a department of EU funds. Activities connected with SPD implementation will be completed by a division of the department / division of SPD implementation/ the department of EU funds will closely cooperate with the department of strategic concept which had prepared the material for SPD 2.

- g) preparing supporting documentation for implementation of the programme and drafting proposals for possible adjustments to the Programme Complement;
- h) compiling supporting documentation on the implementation of the programme in the context of drafting the annual report;
- i) securing implementation of the action communication plan in the Prague cohesion region (on the basis of a uniform framework set out by the executive unit of the programme);

The tasks mentioned in points (a), (c), (d), (f), (h), and (i) shall be secured by the Regional Council on the basis of documents and material prepared by the Secretariat. The tasks mentioned in points (b), (e), and (g) shall be secured by the Regional Secretariat, without prejudice to the decision-making powers of the Regional Council.

Implementation of SPD Objective 2 shall be laid down in a written agreement between the Ministry for Regional Development, the Centre for Regional Development and the City of Prague on co-operation between the regional branch of CRD and the Secretariat of the Regional Council.

11.2.5 Tasks of the final beneficiaries

Final beneficiaries¹⁶ will be responsible for the eligibility of the proposed and realised project expenditure and for making sure that the project implementation complies with the terms and conditions of the contract concluded with the SPD2 Managing Authority.

The final beneficiary will draw up a grant application form (and submit the application to the Secretariat of the Regional Council), will prepare correct tender dossiers for projects in accordance with the relevant public procurement regulation, monitor the implementation of the projects according to the agreements concluded with the selected suppliers, verify invoices and pay them to the suppliers, keep a separate accounting system for the project, carry out internal financial control, submit regular quarterly reports on project implementation, and arrange regional and local publicity for the project.

The final beneficiary is obliged to inform promptly about any substantial changes and facts affecting the performance of the contractual obligation (submitted to the Regional Branch of CRD as part of the progress reporting).

When submitting payment claims on standard forms (submitted to the Regional Branch of CRD) the final beneficiaries will provide evidence that the set out expenditure corresponds to the conditions of the projects contained in the contract on ERDF grant support. Any and all payment claims must be supported with confirmed invoices or, if that cannot be done, with accounting documents of equivalent probative value.

The final beneficiaries must keep documents concerning the projects, which will allow sufficient audit trail (focused on financial flows) according to Article 7 of Commission Regulation (EC) no. 438/2001.

The final beneficiaries must enable access to the project documents at any time for inspection carried out by authorised persons; and must enable the inspectors to access their buildings and premises.

¹⁶ See Article 9 item I) of the Regulation.

11.2.6 Project selection under the SPD Objective 2

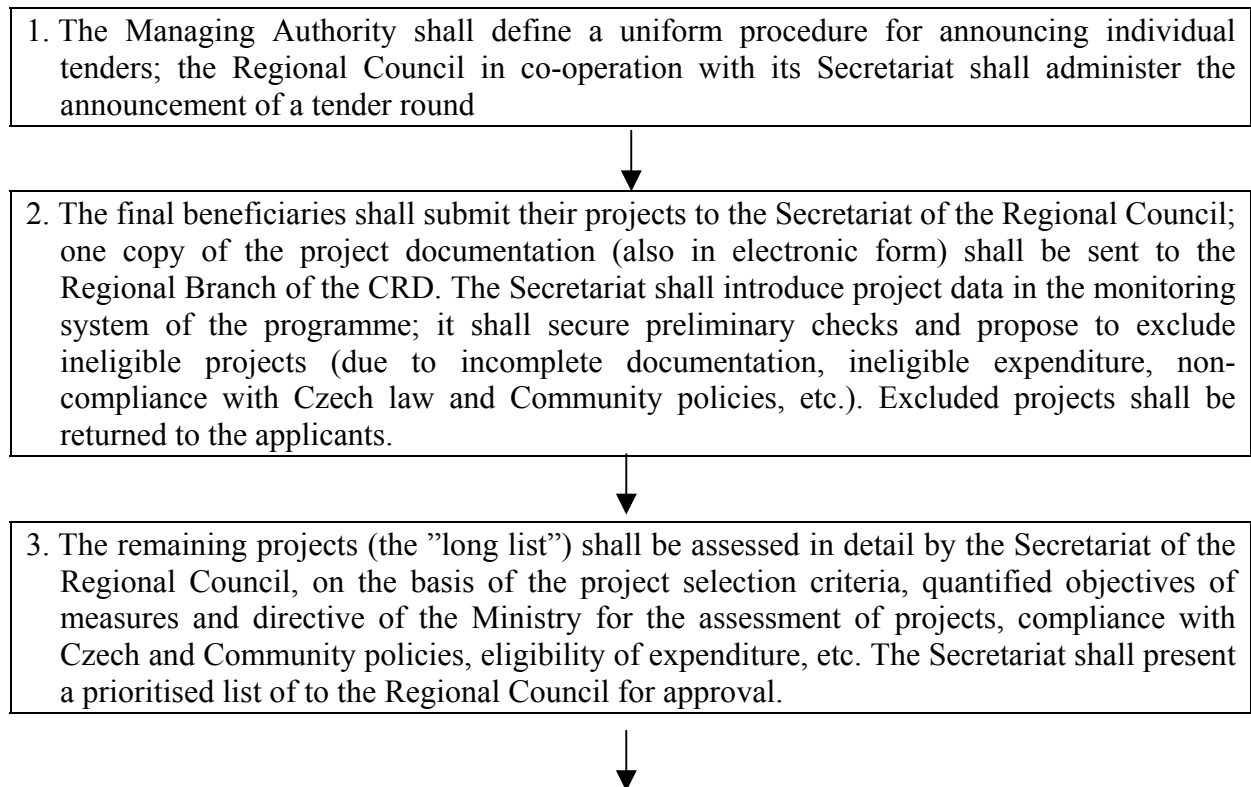
Detailed guidelines for applicants shall be prepared by the Managing authority before the start of the programme. These guidelines shall include necessary information for project applicants, including a standard form and explanatory notes. The Regional Council shall be responsible, via its Secretariat, for securing an information service for applicants (before the launch of the programme) and for providing consultation and assistance when processing financing applications during the implementation of the programme. The competences for selecting the projects in Prague cohesion region shall be delegated to the Regional Council. The Regional Council's activities are based on the Programme Complement, which shall be approved and modified by the Monitoring Committee. The Monitoring Committee decides, within its competence, on the distribution of financial resources for SPD Objective 2 as between measures. This body shall also assess and adopt the criteria for project selection in accordance with individual measures of SPD Objective 2.

Project applications shall be presented three times a year within the framework of selection rounds (with a fixed timetable for the presentation of applications).

Applications shall be presented in the form of:

- **projects** of an investment or non-investment nature; to be presented on a single form,
- **grant application form**, which represent a method of support under a grant schemes, especially in the case of business support (a large number of small projects); a single standard form shall be presented and applications for the support of individual "sub-projects" shall be accepted throughout the current year outside the framework of the project selection scheme shown below.

Project selection within individual selection rounds shall proceed according to predetermined rules which include the following steps (in chronological order):



4. The Regional Council shall decide on the selection of projects. The approved projects shall be forwarded to the Czech Centre for Regional Development; the reasons for not selecting a project in a specific round shall be sent to the applicant by an authorised member of the Prague City Council.



5. The Centre for Regional Development shall assess the list of selected projects and shall discuss any shortcomings in the selection of projects (especially if the relevant selection criteria and directives and quantified objectives of measures etc. have not been respected) with the Secretariat of the Regional Council. Any major changes in the selected projects shall be again discussed in the Regional Council.



6. The final selection of projects shall be presented by the CRD to the Managing authority for approval. At the same time, the Regional Branch of the CRD shall prepare draft agreements with the final beneficiaries of support and formal checks on projects compliance with Community policies and on the eligibility of the proposed expenditure.



7. The decision on the final selection of projects shall be adopted by the Managing authority; agreements on behalf of the managing authority shall be signed by a senior official of the managing unit of the Ministry and the authorised representative of the final beneficiary. The Managing Authority reserves the right to reject the contract (only in serious and duly justified cases).



8. The Managing authority shall present individual agreements for information to the Paying unit and send them, at the same time, to the Paying authority; agreements with the final beneficiaries shall be included by the Managing authority in the monitoring system of the programme.

11.3 Monitoring

11.3.1 General measures

The managing authority (within the meaning of Article 34(1)(a) and Article 36 of the Regulation) shall have overall responsibility for monitoring the SPD Objective 2. Implementation of the SPD Objective 2 shall be supervised by the Monitoring Committee in compliance with Article 35 of the Regulation.

The managing authority shall secure the introduction of systems (MSSF and Viola) for gathering reliable financial and statistical information on the assistance in electronic form enabling data exchange with the Commission.

The monitoring system of SPD Objective 2 shall be an integral part of the Monitoring System of the Structural Funds in the Czech Republic (MSSF). Monitoring SPD Objective 2 shall

make it possible to monitor the project level of implementation (MONIT system) and shall be linked to the paying authority's information system (Viola management and accounting system). In this way, continual checks shall be made on financial flows.

VIOLA management and accounting system serves for checking and monitoring of the programme accounting. The access to VIOLA system will be granted only to Paying Authority and Paying Unit.

The SPD Monitoring Committee for the Prague cohesion region shall be established at the level of the Prague cohesion region and shall combine the activities of the Monitoring Committee for the programme (pursuant to Article 35 of Council Regulation (EC) No. 1260/1999) and the regional development committee (pursuant to Article 17 of Act No. 248/2000 Coll., on Regional Development Support).

The managing authority shall delegate some of its monitoring functions to the executive unit of the programme (CRD) and to the Regional Council; entering and updating data in the monitoring system shall, at all times, be secured by the body delegated with the relevant tasks by the managing authority.

The technical service of the SPD Monitoring Committee and reimbursement of costs in respect of its activities (e.g., opinions of independent experts) shall be secured by the Czech Centre for Regional Development (securing the functions of the Secretariat) in co-operation with the Secretariat of the Regional Council.

11.3.2 Composition of the Monitoring Committee

The Monitoring Committee shall be set up by a Government resolution on the basis of a proposal submitted by the Ministry, following consultation with partners and while providing for an equal representation of women and men. Particulars concerning the composition, organisation and activities of the Monitoring Committee shall be laid down in its statute as approved by the Government of the Czech Republic on a proposal from the Minister for Regional Development.

The Monitoring Committee shall comprise representatives of the Regional Council, Ministry for Regional Development, Ministry of Finance (representatives of paying authority, financial control bodies), Ministry of Labour and Social Affairs (in relation to SPD Objective 3), economic and social partners, a representative of non-profit sector (especially environmental organisations), and representatives of the European Commission and the European Investment Bank (in an advisory capacity). The Monitoring Committee shall be headed by a representative of the Ministry for Regional Development.

11.3.3 Monitoring Committee tasks

The Monitoring Committee shall provide supervision of the implementation of SPD Objective 2 with main focus on compliance with EU and Czech legislative regulations, the achievement of the goals of the programme, the effectiveness of the public resources expended etc.

On the basis of supporting documents prepared by the managing authority or on the basis of its own findings or recommendations of the European Commission and in compliance with Articles 35-37 of the Regulation, the Monitoring Committee shall secure the following tasks:

- a) certify or modify the programme complement, including the physical and financial indicators that are used for monitoring the assistance,

- b) consider and approve criteria for the selection of projects financed under each measure, approve proposals for the distribution of financial resources of SPD Objective 2 at measure level,
- c) monitor the preparation, implementation and evaluation of SPD Objective 2 with a view to its effectiveness, success and cost-efficiency,
- d) regularly assess progress made in the achievement of specific targets of SPD Objective 2 with special focus on programme financing, and take all necessary steps,
- e) analyse the results of implementation of SPD Objective 2, particularly the achievement of targets set out for individual measures,
- f) analyse the reasons for any inconsistencies in respect of implementation of SPD Objective 2 (e.g. project selection delays, projects that do not correspond to programme targets) and propose corrective measures,
- g) analyse and approve annual and final reports on the implementation of SPD Objective 2; consider and approve each proposal to change the Commission's decision regarding contributions from the Structural Funds,
- h) present the managing authority with proposals regarding an adjustment to or review of the assistance with the aim of achieving support targets or improving the management of the assistance, including financial management,
- i) prepare and approve the relevant internal directives.

The Monitoring Committee shall draw up rules of procedure for approval by the Minister for Regional Development. In its initial session, the Monitoring Committee shall adopt detailed provisions for the correct and effective execution of the competences with which it has been entrusted. These provisions should contain, in particular, organisational measures for project selection, including obtaining the adoption of criteria for the selection of projects and measures for carrying out supervision of the process leading to the accomplishment of specific objectives of the programme.

11.3.4 Monitoring information on SPD Objective 2 – managing authority tasks

Information and data on the programme shall be utilised when drawing up reports on the implementation of SPD Objective 2 and shall be provided outside the framework of the managing authority (to the Monitoring Committee, paying authority and paying unit, financial control bodies, Commission bodies etc.). The monitoring system provides for the monthly collection of financial information and for quarterly on-the-spot monitoring.

The Regional Council and its structures shall be allowed access to the database of the monitoring system for SPD Objective 2. The main focus of the monitoring system for SPD Objective 2 shall be to:

- a) secure the gathering of material and financial data on projects (in respect of, for example, the receipt of applications for the co-financing of projects from the Structural Funds, project selection, co-financing agreements, payment applications, payment transfers to the accounts of the final beneficiaries, information on the progress of projects, checks on the physical implementation of projects, sample checks, and project completion),
- b) check the monitoring indicators on the level of individual measures and priorities laid down under SPD Objective 2 and its programme complement; these indicators shall define specific objectives for measures and priorities (with quantification), the attained

level of physical implementation of the programme in accordance with the priorities and measures (physical outcomes, results and, where possible, impacts) and the procedure in implementing the financing plan for the programme; where the nature of the assistance permits, the statistics of the programme shall be broken down by gender and by the size of the recipient undertakings,

- c) bring together results from monitoring with a view to assessing the assistance from the ERDF in compliance with the requirements of the managing authority, the Regional Council, Monitoring Committee, paying authority, paying unit of the Ministry and the Commission,
- d) provide for secure communication between individual bodies contributing to the implementation of the programme or requiring data from the monitoring system, particularly in respect of data exchange between the managing authority and the paying authority and the SPD Monitoring Committee, data exchange within individual SPD units (particularly Regional Branch of CRD – Secretariat of the Regional Council) and data exchange with the European Commission.

The managing authority of the programme has overall responsibility for running the monitoring system and entering and updating data. With regard to database processing, the managing authority shall set out in the programme complement a data connection between each measure and the corresponding categories in the Commission's list of fields of intervention.

The managing authority shall delegate the Czech Centre for Regional Development to enter and continually update all data in the monitoring system of the programme, excluding the following items:

- a) applications for financial assistance from the programme presented by the final beneficiaries (to be entered by the Regional Council or its Secretariat),
- b) sample checks (pursuant to Article 10 of Commission Regulation No.438/2000), secured by the Ministry's project inspection unit,
- c) data entered by the paying authority and payments made by the paying unit to the final beneficiaries.

11.3.5 Annual and final reports

In connection with Article 37 of the Regulation, the managing authority of the programme shall secure the drawing up of annual and final implementation reports; furthermore, it shall ensure that the reports are considered and approved by the Monitoring Committee and submit them to the Commission.

Annual reports shall be submitted to the Commission within six months of the end of each full calendar year of implementation¹⁷. A final report shall be submitted to the Commission at the latest six months after the final date of eligibility of the expenditure. Once the Commission has received an annual report, it shall indicate within a period of two months whether the report is considered unsatisfactory, giving its reasons; otherwise, the report shall be deemed to be accepted. Every year, in connection with the presentation of an annual implementation report, the Commission and managing authority shall examine the main results of the previous year in compliance with arrangements to be determined on the basis of an agreement with the Czech Government and the managing authority. If the Commission sends a recommendation

¹⁷ If the Commission approves the SPD in the course of 2004, for example, the initial report shall be required during the first six months of 2006.

for changes aimed at improving the effectiveness of monitoring arrangements or the management of the assistance, the managing authority shall secure measures aimed at making the appropriate improvements.

All annual reports and the final report shall include the following information:

- a) any changes in general conditions which are of relevance to the implementation of the assistance, in particular the main socio-economic trends, changes in national, regional or sectoral policies and, where applicable, their implications for the mutual consistency between assistance from the different funds and assistance from other financial instruments,
- b) the progress towards implementation of individual priorities and measures for each of the funds in relation to their specific objectives, quantifying the physical indicators and indicators of results and the impact referred to in Article 36 of the Regulation at the level of the appropriate priority or measure,
- c) the progress towards implementation of the SPD Objective 2 financing plan with particular reference to the agreed financial indicators. A summary of the total expenditure actually paid out by the paying unit and a record of the total payments received from the Commission shall be made for each measure (in the form of a standard financial table); data shall be itemised according to the accepted categorisation for the fields of intervention by the Structural Funds (adopted by the Commission in connection with Article 36 of the Regulation),
- d) the steps taken by the managing authority and the Monitoring Committee to ensure the quality and effectiveness of implementation, in particular:
 - monitoring, financial control and evaluation measures, including data collection arrangements,
 - a summary of any significant problems encountered in managing the assistance and any measures taken, including measures taken pursuant to Articles 34(2) and 38(4) of the Regulation,
 - the use made of technical assistance,
 - the measures taken to ensure publicity for the programme,
- e) the steps taken to ensure compatibility with Community policies as stipulated in Article 12 of the Regulation and to ensure co-ordination of all the Community structural assistance, implemented via the Community Support Framework.

The responsibility for drawing up implementation reports within the framework of the managing authority shall be undertaken by the SPD executive unit (CRD) which, in this context, shall co-operate with the Regional Council. A sub-report shall be prepared by the Regional Council as a basis for drawing up implementation reports for SPD Objective 2; this shall include the following information:

- a) the progress towards implementation of priorities and measures within the region (including the achievement of the quantified objectives and indicators laid down at the launch of the programme),
- b) the steps taken by the Regional Council and the regional development committee to ensure quality and effectiveness of implementation of the programme (in particular, the issues of project selection, publicity and implementation problems).

The annual report of the Regional Council shall be submitted to the executive unit of the programme by 15 March of the respective year. This report shall be submitted to the

Monitoring Committee within four months of the end of the respective year; the first annual report shall be submitted, pursuant to Article 37(1) of the Regulation, by 30 April 2006, and discussed by the Monitoring Committee by 31 May of the respective year. Annual implementation reports shall be submitted by the managing authority to the Commission within six months of the end of the respective calendar year.

The executive unit of the programme, in agreement with the Regional Council, shall prepare an annual operational monitoring plan for the current year, which the Monitoring Committee shall receive within the same time limit as the annual report. These annual plans shall be based on estimates of budgetary commitments, payments and targets which are to be attained by the year end. The first operational plan shall be prepared and submitted in 2004. In the event that implementation of the programme in 2004 does not cover the whole calendar year and it is not necessary to submit the annual report to the Commission, a partial annual report shall be prepared for the needs of the managing authority of the SPD; this report shall be of reasonably similar structure and contents (as described above).

11.4 Ensuring compliance with Community policies

11.4.1 General provisions

Projects co-financed under SPD Objective 2 by the European Regional Development Fund must be, pursuant to Article 12 of the Regulation, in conformity with the provisions of the Treaty Establishing the European Community (hereinafter referred to as the "Treaty"), with instruments adopted thereunder and with Community policies and actions, including the rules on competition, on public procurement procedures, on environmental protection and improvement and on the elimination of inequalities and the promotion of equality between men and women.

Assessment of compliance with Community policies shall be operatively secured by the Regional Council through its Secretariat. Compliance shall be verified during the selection and implementation of projects via monitoring. The Secretariat of the Regional Council shall ensure that each operation and project that is put forward for co-financing from the Structural Funds should correspond to the relevant national and Community regulations. To achieve this task, the managing authority shall prepare necessary methodological guidelines (instructions to applicants for the presentation of projects, internal manuals for organisational structures contributing to the management and supervision of SPD Objective 2).

In this context, the Secretariat of the Regional Council shall also be subject to control by the managing authority, which is to be provided, on the one hand, by the Czech Centre for Regional Development (Regional Branch of CRD), and, on the other, by a special department of the Ministry. The managing authority shall observe all the national and Community regulations and co-operate with the competent Czech and Community bodies.

Compliance of expenditure with Community policies shall be assessed by the Czech Centre for Regional Development when receiving applications for the reimbursement of expenditure incurred by the final beneficiaries.

If it is ascertained that financial resources from the Structural Funds were not used for the co-financing of projects in compliance with Community legislation, the procedure provided for in Articles 38 and 39 of the Regulation (detecting irregularities, financial corrections) shall apply.

11.4.2 Competition (competitiveness)

The provision of public support to enterprises and manufacturing sectors shall be subject to the relevant provisions of Act No. 59/2000 Coll., on Public Support, as amended. At the same time, the rules stipulated in Articles 87 and 88 of the Treaty shall be adhered to in connection with the provision of financial support from the Structural Funds. The financial resources made available from the Structural Funds are deemed state resources, the provision whereof constitutes public support and is thus subject to all other applicable Community regulations.

Public support is understood to mean solely such support which has all the characteristics specified in Article 87 of the Treaty, and also all the characteristics of public support as specified in Article 2(1) in combination with Article 3(a) of the Act on Public Support. Save for any approved "group exceptions" within the meaning of Council Regulation No. 994/98, all projects are subject to notification duty (cf. Article 88(3) of the Treaty) and no public support may be provided prior to the issuance of a final decision by the Commission.

In the event of a proposal for a new support scheme that is subject to notification duty, this may be implemented only after being approved by the Commission. In such an event, the scope of state assistance for SPD Objective 2 will be reviewed. Any proposal for adjustment as approved by the managing authority and the Monitoring Committee shall be presented (by the managing authority) to the Commission via the Office for the Protection of Competition. The starting date for the eligibility of expenditure shall be date on which the application for an adjustment to the assistance is submitted to the Commission.

Particular attention should be devoted to the provision of public support for the implementation of measures from multiple sources (e.g., state budget, regional resources, Community resources). The total amount of public support from Czech and Community resources may not exceed the support limit laid down by the regional map showing the intensity of support for the period 2002 to 2006.

11.4.3 State aid

In this part of the operational programme, the information on state aid is provided within the framework of individual measures with a purpose of checking the conformity with the EU regulations on state aid.

For each measure of the SPD, the Czech Republic should provide the information necessary to check conformity with EC State aid rules. Two possibilities exist:

1. The Czech Republic confirms that no State aid will be provided under the measure concerned or that the aid provided will be in conformity with the *de minimis* rule or with (an) aid scheme(s) implemented under one of the block exemption regulations.

In that case, a general declaration to that effect is sufficient. No detailed list of aid schemes or ad hoc cases is to be provided.

2. The Czech Republic intends to co-finance under the measure concerned State aid that goes beyond the *de minimis* rule and that does not fall under one of the block exemption regulations.

In that case, a description of the aid schemes or ad hoc cases is to be provided, including the title of the scheme or ad hoc case, its State aid number, the reference of the approval letter and duration of the scheme (see table below).

STATE AID – SPD OBJECTIVE 2

Table no. 44

Measure Number	Title of the State Aid or ad hoc State Aid	State Aid Number	Approval Letter Reference	Duration of the Scheme
1.1	Transport systems supporting the transformation of the city environment	no state aid involved		2004-2006
1.2	Regeneration of damaged and unsuitably used areas	no state aid involved or to be notified to the Commission		2004-2006
1.3	Public infrastructure improving the quality of life in mainly housing estates	no state aid involved Block exemption regulation		2004-2006
2.1	Improving the quality of partnership between the public and private sectors, non-profit making sector, science and research	de minimis		2004-2006
2.2	Support for small and medium sized enterprises; favourable business environment	de minimis and Block exemption regulation		2004-2006
2.3	Development of strategic services in support of the information society in Prague	de minimis		2004-2006

Source: MRD

Note:

In conformity with its duties under Article 34(1)(g) of Council Regulation No. 1260/1999, the Managing Authority, will keep the above State aid table up-to-date and will inform the Commission of any modification of the table.

The introduction of a new aid scheme or ad hoc aid requires a modification of the assistance by a formal Commission decision.”

Article [...] of the Commission decision regarding this programme (suspensive clause concerning state aid) applies to measures containing aid schemes that are subject to appropriate measures or have not been approved . [At present this applies to measures....]”

- (*) In case the aid scheme concerned has been notified, the State aid number will be filled in; in case the scheme has been approved, the reference of the approval letter and the duration of the scheme will be filled in as well. In case the scheme has not yet been notified, the three boxes will be empty.
- (°) In case no aid will be granted under the measure concerned and/or that the case the aid provided under the measure is in conformity with the *de minimis* rule or with (an) aid scheme(s) implemented under a block exemption regulation, the following text will be included: "Any State aid granted under this measure will be either compatible with the *de minimis* rule or it will be applied under an exemption Regulation in accordance with Council Regulation No 994/98 of 07.05.1998 (O.J.E.C. L 142 of 14.05.1998)"

11.4.4 Public procurement

The implementation of public procurement procedures in respect of projects and operations shall be fully provided for in compliance with Act No. 199/1994 Coll., on Public Procurement (as amended)¹⁸. All projects co-financed from the Structural Funds shall involve a public commission for the selection of contractor.

At the same time, compliance shall be secured in respect of Community requirements laid down in the Treaty (Articles 12, 28, 43 and 49) and in the relevant Commission directives coordinating the procurement procedures (Directive 92/50 on public service contracts; Directive 93/36 on public supply contracts; Directive 93/37 on public works contracts as amended by Directive 97/52; Directive 93/38 on procurement procedures in the water, energy, transport and telecommunications sectors as amended by Directive 98/4, etc.).

In the case of the relevant public procurement procedures (above the stipulated limit), for which contributions from the Structural Funds have been requested or provided, it shall be necessary to secure their publication in the Official Journal of the EC.

11.4.5 Environmental protection

Projects and actions co-financed by the Structural Funds under SPD Objective 2 shall take into consideration the principles and targets of sustainable development and shall be in full compliance with the environmental legislation of the Czech Republic and the Community.

The assessment of projects and actions under SPD Objective 2 shall respect the fact that:

- a) in connection with Directive 92/43/EC (on habitats), the Czech Republic shall present to the Commission a list of Natura 2000¹⁹ sites which should be specially protected (together with maps and information) including a formal commitment to prevent their damage by actions co-financed by the Structural Funds,
- b) the protection of sites listed within Natura 2000 (if they are located in the area earmarked for support) shall be developed in the programme complement of SPD Objective 2.

The application of the "polluter pays" principle shall be based on the Commission's Technical Document No. 1, which develops this principle, including differentiation of the Community support level in co-financing from the Structural Funds. Waste disposal shall be subject to charges in compliance with Article 15 of the framework Commission Directive No. 75/442/EEC on Waste.

Projects and actions co-financed by the Structural Funds shall be subject to environmental impact assessments which shall respect Commission Directive No. 85/337/EEC, supplemented by Directive No. 97/11/EEC. It shall be necessary to state either that these projects have no significant impact on the environment or that they have a possible negative impact, in which case a proposal shall be made for mitigating measures.

For projects relating to waste, it shall be possible to use ERDF resources in the event that they are in conformity with the waste management plan prepared by regional bodies (City of

¹⁸ It may be expected that the Czech Republic, prior to EU accession, will adopt a new act on public procurement, which shall be fully compatible with Community regulations.

¹⁹ This task shall be secured by the Ministry of the Environment in co-operation with other bodies (The Nature and Landscape Protection Agency).

Prague or city boroughs) and in conformity with the relevant directives. When proposing support for projects involving the treatment of urban wastewater, it shall be necessary to comply with Directive 91/271/EEC on urban wastewater treatment.

11.4.6 Equal opportunities

Projects and activities co-financed by the Structural Funds must contribute to fulfilling the principle of equal opportunities for men and women. When reviewing projects that apply for co-financing from the Structural Funds and are not specifically oriented towards improving equal opportunities, it shall be necessary to assess their influence on equal opportunities. Such an assessment must be based on the Commission's Technical Document No. 3 (March 2000) which provides methodological guidance for this issue. The question of equal opportunities should be taken into consideration when laying down the amount of the contribution from the ERDF (Article 29 of the Regulation).

The managing authority, in the context of managing and monitoring SPD Objective 2, shall ensure that the statistics shall be broken down by gender (on the basis of available data). It shall also ensure that evaluations shall ascertain the extent to which the principle of promoting equal opportunities is taken into consideration when implementing the programme. In justified cases, the managing authority shall seek to create adequate evaluation procedures, instruments and indicators for this purpose. It shall be possible to utilise technical assistance for promoting the main equal opportunity targets.

Annual reports and the final report on the implementation of SPD Objective 2 shall contain a separate chapter describing the activities undertaken under the programme for ensuring the implementation of equal opportunity-related targets and must state the extent to which the short-term goals laid down in the programme have been achieved.

11.5 Evaluation

11.5.1 General provisions

In order to gauge its effectiveness, the programme shall be the subject of *ex-ante*, interim and *ex-post* evaluations designed to appraise its impact and to analyse its effects on specific structural problems, in compliance with Articles 40-43 of the Regulation.

In view of the short lifetime of the programme (2004-2006), interim evaluation (within the meaning of Article 42 of the Regulation) shall not be undertaken. In connection with this, no performance reserve (pursuant to Article 44 of the Regulation) shall be laid down under the programme.

Evaluation of the programme shall be the responsibility of the managing authority. The actual evaluation shall be undertaken in co-operation with the SPD Monitoring Committee and the Regional Council (see point 11.3.1); the latter shall be actively involved in the evaluation and shall comment on its conclusions. The results of the evaluation shall be accessible to the public on request.

***Ex-ante* evaluation**

In compliance with Articles 19(4), 18(3), 36 and 41(3) of the Regulation, the managing authority, when preparing the programme complement, shall ensure the *ex-ante* evaluation of

measures. This evaluation shall assess the consistency of these measures with the targets of corresponding priorities, quantifying their specific objectives and proposing criteria for project selection. *Ex-ante* evaluation shall be the subject of discussion by the Monitoring Committee in compliance with Article 35 of the Regulation.²⁰

The *ex-ante* evaluation of the programme complement shall be undertaken in compliance with the Commission's Working Paper 2 and shall be focused mainly on assessing the consistency of the proposed objectives (global, specific and operational), on quantification of objectives and on ensuring the correctness of the proposed criteria for project selection; this evaluation shall tie in with the *ex-ante* evaluation of SPD Objective 2.

***Ex-post* evaluation**

Pursuant to Article 43 of the Regulation, *ex-post* evaluation shall be the responsibility of the Commission in collaboration with the Czech Republic and the managing authority. When preparing this evaluation, the managing authority of the SPD shall co-operate with the Commission and other specified bodies. *Ex-post* evaluation shall be carried out by independent evaluators and shall be completed not later than three years after the end of the programming period.

Ex-post evaluation shall cover the utilisation of resources and the effectiveness, cost-efficiency and overall impact of the programme and shall draw conclusions regarding policy on economic and social cohesion. It shall cover the factors contributing to the success or failure of implementation and the achievements and results, including their sustainability.

Development of evaluation capacity

A part of the budget under the heading Technical Assistance will be reserved to develop the evaluation capacity which can add value to the implementation of the 2004 - 2006 programmes in the first instance, but even more in view of the next programming period 2007 - 2013.

Areas which can be covered under this heading are e.g. the preparation of a macro-economic assessment for the next period, further improvement and reliability of the indicator system and evaluations of specific themes linked to e.g. the horizontal objectives.

A specific evaluation unit, set up within the Ministry for Regional Development, will be in charge of the development and implementation of an evaluation plan during this programming period.

²⁰ For SPD Objective 2 of the Prague cohesion region for the period 2004–2006, this condition shall apply only in the event that the Monitoring Committee is established before the date for delivering the documentation as stipulated by the European Commission.

11.6 Financial management

11.6.1 The paying authority and other bodies contributing to financial management

The Ministry of Finance shall be the paying authority for both Structural Funds that may co-finance the SPD – the European Regional Development Fund (ERDF) and the European Social Fund (ESF). In the case of the Prague region, SPD operations in the period 2004 to 2006 shall be financed from a single fund, i.e., operations of SPD Objective 2 from the ERDF and operations of SPD Objective 3 from the ESF. The tasks of the paying authority and the paying unit are specified in point 11.6.5. The function of the paying authority shall be carried out by the National Fund Department of the Ministry of Finance:

Paying Authority of the SPD Objective 2

Paying Authority of the SPD Objective 2	Ministry of Finance
Department with delegated performance of the Paying Authority function	National Fund
Seat	Letenská 15, Praha 1, 118 10, Czech Republic
Responsible person	Jan Gregor, Director
Telephone	+420 257 042 445
Fax	+420 257 042 487
Email	jan.gregor@mfcf.cz

A Paying Unit will be established in the Ministry for the Regional Development. This function will be performed by Financial Management Department, which is fully independent from the Managing Authority.

In reference to the Regulation and Commission Regulation (EC) No. 438/2001, the managing authority of the SPD (see point 11.6.5) shall secure tasks connected with financial management, and the return of incorrectly paid amounts pursuant to Article 8 of Commission Regulation No. 438/2001, particularly regarding the verification of supporting documents and payment applications submitted by the final beneficiaries and the presentation of documents to the paying authority (or paying unit). The managing authority shall delegate some of these functions to the executive unit of the programme (Centre for Regional Development).

11.6.2 Financial contributions from the Structural Funds

The contributions from the Structural Funds for individual measures and projects shall be provided to the extent laid down under a Commission decision on SPD approval and under the approved financing plan of the programme (specification of the maximum contribution from the Structural Funds) and the financing plan of the programme complement (maximum contribution from the Structural Funds to measures). Each programme measure and each selected project may draw on resources only from one Fund; no project may be

simultaneously supported under another programme that is co-financed by the Structural Funds.

The contributions from the Structural Funds shall principally take the form of a grant or another form of financing, such as an advantageous loan, an interest rate subsidy, a guarantee, and a venture-capital investment. Assistance repaid to the managing authority shall be reallocated to the same purpose (under measures). The specific form of assistance shall be laid down in the programme complement.

Contributions from the Structural Funds shall be subject to the following limits:

- a) a maximum of 50 % of the total eligible cost of the project and, as a general rule, at least 25 % of eligible public expenditure,
- b) in the case of investment in infrastructure generating substantial net revenue, the contribution may not exceed 25 % of the total eligible cost, which may be increased by not more than an extra 10 % of the total eligible cost for forms of financing other than direct assistance,
- c) in the case of investment in businesses, the contribution may not exceed 15 % of the total eligible cost; in the case of investments in small and medium-sized enterprises, these rates may be increased by not more than an extra 10 % of the total eligible cost for forms of support other than direct assistance.

In the case of investments in businesses, the contribution from the Structural Funds shall observe the cap limits for support levels and for combinations of support specified in the field of state support for individual measures of the programme and for individual NUTS 2 regions (pursuant to the regional map showing the intensity of public support, support for the Prague region for the programming period 2004 to 2006 shall be set at a declining level of 22–20 % of NGE = Net Grant Equivalent).

The managing authority shall ensure that a project retains the contribution from the Structural Funds only if that project does not, within five years of the date of the decision on the contribution from the Funds, undergo a substantial modification (Article 30(4) of the Regulation).

Expenditure in respect of individual projects under SPD Objective 2 shall be eligible for a contribution from the Structural Funds only if it has not been paid by the final beneficiary before 01 January 2004). The final date for the eligibility of expenditure shall relate to payments made by the final beneficiaries, provided they are made before 31 December 2008 (the starting and final dates shall be confirmed by the Commission's decision on the programme).

Eligibility of expenditure in respect of individual selected projects shall be fully subject to the applicable national regulations as well as the rules laid down in Commission Regulation No. 1145/2003, relating to the eligibility of expenditure for operations co-financed by the Structural Funds.

11.6.3 Budget commitments

Within the meaning of Article 31 of the Regulation, the first budget commitment shall be made after the Commission issues a decision approving the programme; subsequent commitments shall be effected by the Commission by 30 April each year.

The Commission shall automatically cancel any part of the budget commitment which has not been settled by a payment on account or for which it has not received an acceptable reimbursement application by the end of the second year following the year of the budget

commitment. The total contribution from the Structural Funds shall be reduced by that amount.

The Commission shall in good time inform the Czech Republic and the paying authority whenever there is a risk of application of the automatic cancellation of a budget commitment.

11.6.4 Payments at Community level

The Commission shall forward contributions from the Structural Funds to the payment authority in compliance with the appropriate budget commitments. The payments shall be posted to the earliest open commitment and may take the form of payments on account (advance payments), interim payments or settlement of the final balance (final payment).

Based on a Commission proposal amending Article 32(2) of the Regulation, an advance payment at 16 % of the contribution from the Funds shall be made to SPD Objective 2 by the Commission immediately upon receiving the first budget commitment; this amount may be distributed over two budget years at most.

All or part of an advance payment, depending on progress towards implementation of the programme, shall be repaid to the Commission if no reimbursement application is sent to the Commission within 18 months of its decision to approve SPD Objective 2.

Interim payments shall be made by the Commission to reimburse expenditure actually paid by the final beneficiaries provided that the payment is certified by the paying authority in the form of a declaration (Article 9 of Commission Regulation No. 438/2001) and that the conditions laid down in Article 32(3) of the Regulation are fulfilled. Subject to fulfilment of these conditions, interim payments shall be made not later than two months after receipt of the application by the Commission.

Interim payments shall be made according to the measures contained in the financing plan of the Programme Complement. The combined total of the payments on account and of individual interim payments shall not exceed 95 % of the contribution from the Funds to the assistance laid down in the approved SPD Objective 2.

Settlement of the final balance of the assistance (final payment) shall be made by the Commission subject to fulfilment of the conditions laid down in Article 32(4) of the Regulation.

11.6.5 Payments at national level

Tasks of the paying authority

In the field of financial management related to payments, the paying authority shall be responsible for:

- a) submitting to the Commission updated forecasts of payment applications for the current and following year, not later than 30 April each year (Article 32(7) of the Regulation),
- b) administering and managing the payments,
- c) submitting applications to the Commission for interim payments three times a year; the last application must be submitted by 31 October of the relevant year at the latest,
- d) repaying all or part of the advance payment to the Commission, unless the conditions pursuant to Article 32(2) of the Regulation have been fulfilled, i.e., unless resources have been utilised in full or in part,

- e) presenting the final statement of expenditure to the Commission as a basis for making the final payment within 6 months after the end of the assistance period (Article 32(4a) of the Regulation),
- f) certifying the statement of interim expenditure and the final statement of expenditure (by a person who is independent of the authorities responsible for approving applications) in compliance with Article 32(3) and (4) of the Regulation and Article 9 of Commission Regulation No. 438/2001; certification shall be undertaken within two weeks after receipt of the statement of expenditure from the managing authority in the event that serious shortcomings are not detected,
- g) undertaking financial corrections (Article 39 of the Regulation and Commission Regulation No. 448/2000), in particular preparing an annual overview of incorrectly used resources, forwarding to the Commission any resources incorrectly used and collaborating on their recovery, and returning resources that have not been utilised,
- h) providing all the required information for issuing a declaration on the winding up of the assistance within the meaning of Article 38(1)(f) of the Regulation and Articles 15-17 of Commission Regulation No. 438/2001; keeping, storing and protecting data relating to the expenditure and controls implemented and constituting a suitable audit aid with focus on financial flows (Articles 7 and 18 of Commission Regulation No. 438/2001).

In relation to the final beneficiaries, the paying authority shall secure payment only of resources from the Structural Funds; the co-financing of projects from the public resources of the Czech Republic (state budget, state funds, budgets of regions and municipalities) shall be secured pursuant to the applicable national regulations by the relevant providers of public support.

Pursuant to Article 32(1) of the Regulation, the paying authority shall ensure that final beneficiaries shall receive payment as promptly as possible and in full (the Commission's recommendation is 60 days after receipt of a reimbursement application). No deduction or further specific charge which would reduce these amounts shall be made.

Throughout the lifetime of assistance, the paying authority shall use the payment on account (advance payment) to pay the Community contribution to expenditure relating to this assistance. All interest accrued on this account shall be allocated by the paying authority for implementation of SPD Objective 2.

Interim payments and the final payment shall correspond to actually reimbursed expenditure, as certified by the paying authority and as made by the final beneficiaries, supported by receipted invoices or accounting documents of equivalent probative value.

Tasks of the paying unit

The paying authority shall delegate the performance of some of its functions to the paying unit of the Ministry²¹, which on the basis of an agreement on the delegation of functions shall be entrusted with securing contact with the final beneficiaries under the programme and ensuring that the final beneficiaries receive payments as promptly as possible and in full.

The paying unit shall, in particular:

- a) request the paying authority to open limits for drawing on the resources of the Structural Funds for a specific period and to transfer monies to its account on the basis of the financing plans submitted,

²¹ The function of paying unit shall be carried out by the Financial Management Department of the Ministry for Regional Development (director Ing. Dušek), Staroměstské náměstí 6, 110 15 Prague 1.

- b) receive from the managing authority statements of interim expenditure and the final statement of expenditure; carry out formal checks on these statements and submit them to the paying authority,
- c) receive applications from the managing authority for payments to final beneficiaries in respect of the programme; carry out formal checks on these applications and establish compliance with the financing plan of the programme (the paying unit shall not make transfers in the case of a plan excess and shall inform the SPD managing authority of this),
- d) transfer contributions from the ERDF to the final beneficiaries (on the basis of a procedure laid down by the paying authority) from the drawing account up to the level of the open limit and inform the managing authority of these payments,
- e) submit data to the paying and managing authorities and to the SPD monitoring system (drawing resources, payment of contributions to final beneficiaries).

Payments to final beneficiaries shall be made only to the final beneficiary's bank account (this account shall be specified in the relevant agreement between the managing authority and the final beneficiary); payments in cash or by cheque shall not be eligible. Payments to final beneficiaries shall be made in the local currency (CZK).

Tasks of the managing authority, the executive unit of the programme and final beneficiaries

1. The managing authority shall, in particular:

- a) authorise the payment claims, prepared by the CRD, and forward them to the paying unit,
- b) submit to the paying authority (via the paying unit) three statements of expenditure per year (within terms laid down by the paying authority) and the final statement of expenditure,
- c) submit to the paying authority by 31 March of the respective year a draft of updated forecasts for payment applications for the current and following year (based on individual Structural Funds).

In connection with the financial management of the programme, the managing authority shall delegate the implementation of the following tasks to the executive unit of the programme (CRD).

2. The Czech Centre for Regional Development shall:

- a) receive, via the Regional Branch, payment applications from final beneficiaries, supported by relevant invoices and other accounting documents; carry out checks on the applications, prepare a verification of the work done and submit the applications to the managing authority,
- b) submit to the managing authority for verification draft statements of expenditure itemised according to priorities and measures under SPD Objective 2, including an overview of repaid amounts for the period from the last verified statement of expenditure,
- c) prepare draft payment plans for the current and following year based on the supporting documents of the final beneficiaries.

Verification of implemented work shall include (apart from technical data) particularly: a summary of eligible costs, the share of ERDF (in %) in financing and the maximum level of the contribution, an overview of past verifications, summary of expenditure actually paid out and not yet settled, overview of on-the-spot checks undertaken, analysis of expenditure – the feasibility of expenditure, copies of invoices, account statements, verification of eligibility of expenditure, compliance with the financing plan of the project, compliance with EU policies

(on environment, equal opportunities, rules on free competition, public procurement, observance of publicity rules).

3) In respect of financial management, the final beneficiaries shall, in particular:

- a) manage the implementation of projects in compliance with the conditions of the agreement on the provision of financial resources from the Community Structural Funds, concluded with the managing authority,
- b) check the correctness of, and settle, invoices issued by contractors,
- c) on a continual basis, post payment applications to the Regional Branch of CRD on a standard form, including verification of implemented work, copies of invoices paid (payment must be certified by the contractor), payment orders and account statements,
- d) ensure that project documents are kept until the end of 2012; on the request of control bodies, furnish all documents relating to projects.

11.6.6 Co-financing SPD Objective 2 from public resources of the Czech Republic

Co-financing SPD Objective 2 from public resources of the Czech Republic (state budget – budget chapter of the Ministry for Regional Development, budgets of state funds – STIF and SEF of the Czech Republic, budgets of the City of Prague and, where appropriate, of boroughs) shall be provided for in compliance with Act No. 218/2000 Coll., on Budgetary Rules, and with Act No. 250/2000 Coll., on the Budgetary Rules of Local Governments.

Each public administrative authority that contributes to co-financing (in the case of SPD Objective 2, this may involve the state budget – Ministry for Regional Development, budget of the City of Prague (and, where appropriate, of boroughs), SEF of the Czech Republic, STIF) shall include in its budget the amounts that correspond to their share in the co-financing of SPD Objective 2 in the given budgetary year. Calculations shall be based on updated forecasts for payment applications, on agreements concluded between the managing authority and the final beneficiary for the co-financing of projects, and on co-financing agreements concluded by the competent authority with the final beneficiaries.

As part of an application for the payment of expenditure from the Structural Funds (applications shall be received by the Centre for Regional Development), the final beneficiary shall also request the payment of expenditure co-financed from public resources of the Czech Republic.

After reviewing a payment application and its verification at the level of the CRD, the managing authority shall forward it to the competent authorities for payment; in the case of resources paid from the budgetary chapter of the Ministry for Regional Development, the payment shall be settled by the paying unit of the Ministry, in other cases by the competent authority that provides co-financing (these authorities shall inform the Ministry's paying unit and the managing authority about the payment). A detailed procedure regarding the financing of programmes of the Structural Funds from the public budgets of the Czech Republic shall be laid down by the Ministry of Finance.

11.6.7 Investigations of irregularities and financial corrections

In compliance with Article 39(1) of the Regulation, Commission Regulation (EC) No. 448/2001 and Commission Regulation No. 1681/94, the Ministry of Finance shall be

responsible for the co-ordination of investigations of irregularities via the paying authority and under the supervision of the department of financial control.

Financial corrections shall be made in relation to an individual or systemic irregularity and shall consist in cancelling all or part of the Community contribution. The Community funds released in this way may be re-used for the assistance concerned. The Czech Republic must inform the Commission about any reallocation of resources.

If the Commission concludes that the obligations pursuant to Article 39(2) of the Regulation have not been fulfilled, it shall suspend the interim payments and request that the Member State submit its comments and, where appropriate, carry out any corrections within a specified period of time. The Commission may, within the meaning of Article 39(3) of the Regulation, reduce the payment on account or make the financial corrections required by cancelling all or part of the contribution of the Funds to the assistance concerned. Pursuant to Article 39(4) of the Regulation, any sum received unduly and to be recovered shall be repaid to the Commission, together with any late interest.

In connection with the relevant provisions of Articles 38 and 39 of the Regulation, the paying authority (Ministry of Finance) shall:

- a) gather information relating to the inconsistencies detected, keep a record of the sums returned to the EU budget and of the sums that are to be recovered,
- b) in respect of the Commission, secure the presentation of supporting documents on the sums recovered within the meaning of Article 8 of Commission Regulation No. 438/2001 and a list of procedures for payment cancellations within the meaning of Article 2 of Commission Regulation No. 448/2001,
- c) return to the Commission resources that have been used unduly and co-operate to ensure their recovery.

Resources from the Structural Funds that have been used unduly shall be recovered from the final beneficiaries by tax authorities.

The managing authority of the SPD shall, when detecting irregularities, co-operate with the paying authority or the paying unit of the Ministry (unless it detects irregularities within the framework of its own control activities) and, furthermore, shall:

- a) carry out an immediate investigation,
- b) prepare a financial correction proposal for the paying authority,
- c) initiate proceedings with the final beneficiaries for the recovery of the financial resources provided unduly.

11.6.8 Double-entry accounting

The paying authority, paying unit, managing authority and the Czech Centre for Regional Development shall keep double-entry accounts or an analytic accounting register based on double-entry bookkeeping in respect of all work undertaken during implementation of projects financed by the Community Structural Funds. The final beneficiaries shall provide accounting and other data pursuant to an agreement for the provision of resources from the Structural Funds.

All accounting and monitoring data must be kept in electronic form (pursuant to Article 18 of Commission Regulation No. 438/2001). Accounting records shall be adequately protected in order to prevent their possible misuse (both in the case of securing the relevant computer program and for the physical protection of written records).

At the written request of the Commission for the provision of accounting records, each entity shall provide the Commission with all the required records within 10 working days (pursuant to Article 18(3) of Commission Regulation No. 438/2001) from the date on which the requirement was delivered or within a period of time specified by the Commission.

Accounts shall be kept in compliance with the Accounting Act No. 563/1991 Coll. The Ministry of Finance shall ensure that accounts of all bodies connected with management of SPD Objective 2 are kept using a uniform method on the basis of double-entry bookkeeping.

The Czech National Bank exchange rate as in effect on the transaction date shall be used for the purposes of converting euro to Czech crowns (CZK). Exchange adjustments arising from currency conversion as a result of the need to convert by using the exchange rate set by the Commission for the month in which the transaction was made, shall be accounted by the paying authority.

At the level of individual bodies, accounts shall be kept mainly in respect of the following operations:

paying authority – establishment of an EU obligation in favour of SPD Objective 2, receipt of an advance payment, opening of a limit to the Ministry's paying unit, cancellation of or drawing on the limit by the Ministry's paying unit, receipt of a statement of expenditure from the managing authority, forwarding of a certified statement of expenditure to the Commission, repayment to the Commission of resources unduly paid out and regular financial corrections (pursuant to Article 39 of the Regulation),

paying unit – obtaining of a limit from the paying authority, cancellation of a limit by the paying authority, receipt of an application for the payment of resources from the managing authority, submitting of bank orders, payment of resources to the final beneficiaries,

managing authority (or CRD) – obtaining of an EU obligation for SPD Objective 2, application for the payment of resources forwarded to the Ministry's paying unit, information on payments to the final beneficiaries, obtaining approval of the quarterly statement of expenditure.

11.6.9 Keeping of bank accounts

The paying authority shall, for SPD Objective 2, conclude an agreement for the keeping of a current bank account with the Czech National Bank (CNB). The holder of this account shall be the Ministry of Finance. This account shall be at the disposal of the paying authority and the Ministry's paying unit.

The persons who have access to this account shall be designated by the First Deputy Finance Minister (in the case of the paying unit on the basis of a proposal from the Ministry). Use of accounts shall be possible only on the basis of the "two signatures" principle. The paying authority in co-operation with the Ministry's paying unit shall ensure that the necessary specimen signatures are provided.

The resources in the National Fund's source accounts shall not be deemed to be state budget resources. After the end of the calendar year, the balances on these accounts shall be transferred to the following year's accounts. Interest accruing on source accounts may be used for financing SPD Objective 2.

In respect of the Ministry's paying unit, the paying authority shall set limits for drawing from the current account for the period between the individual verifications of expenditure incurred.

The transfer of resources to the final beneficiaries shall be carried out by the paying unit from the drawing account up to the amount of the open limit laid down by the paying authority.

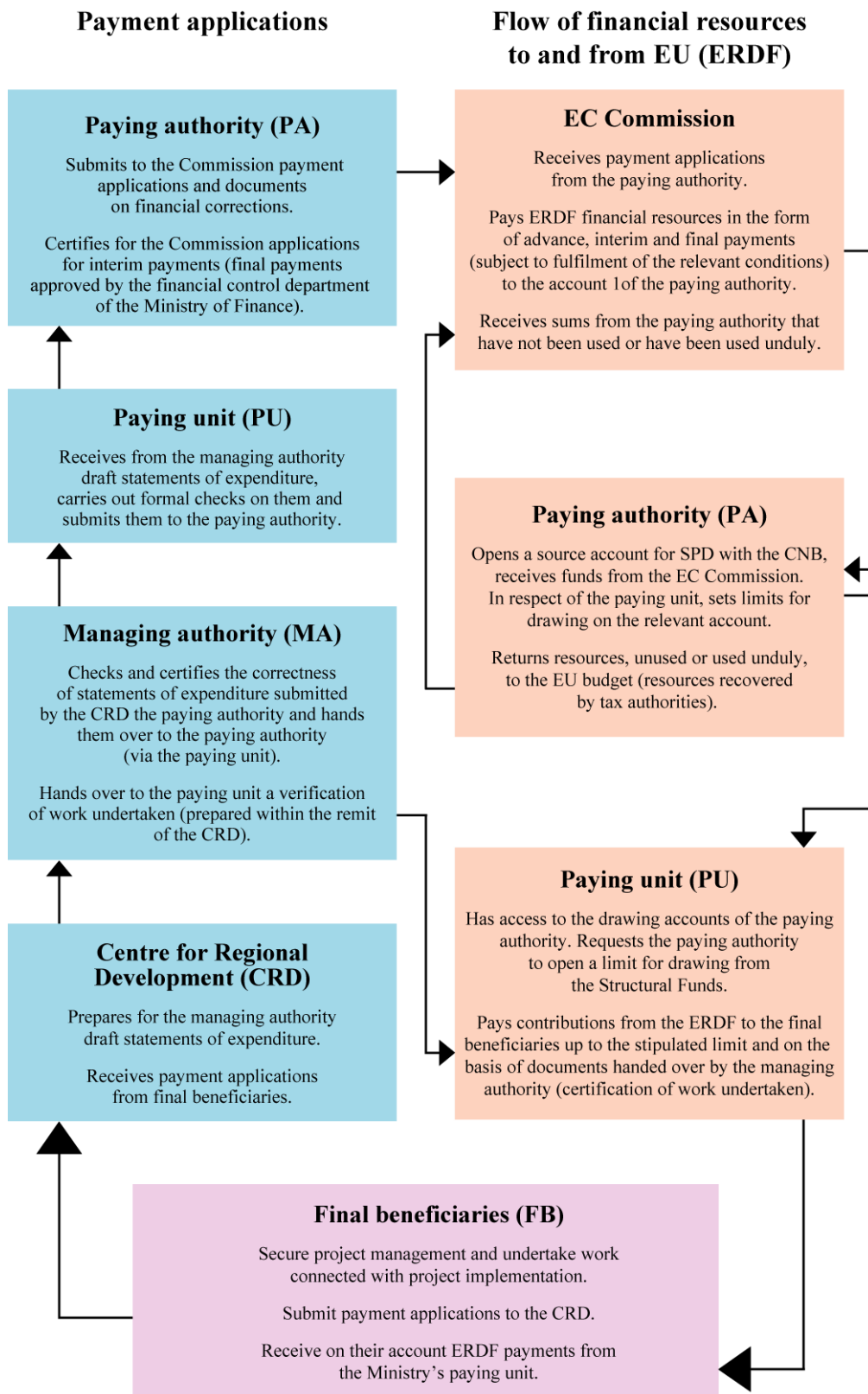
11.6.10 Use of the euro

All budget commitments and payments shall be carried out in euro in accordance with Article 33 of the Regulation and Commission Regulation No. 643/2000. In addition, statements of expenditure and payment applications, which the paying authorities shall certify within the meaning of Article 32(3) of the Regulation, shall be submitted to the Commission in euro.

For the purpose of financial reporting in respect of the European Commission, the administrative exchange rate of the European Commission shall apply to the month in which a conversion is made.

Resources from the Commission transferred to the relevant source account shall remain in euro until transferred to the drawing accounts from which the Ministry's paying unit shall make payments to the final beneficiaries up to the amount of the open limit; payments shall be made in CZK. When converting resources from € to CZK, the paying authority shall use the CNB exchange rate – foreign exchange, purchase – valid on the conversion date. Exchange adjustments that arise shall either be expenditure or income of the state budget.

CHART OF FINANCIAL FLOWS UNDER SPD FOR OBJECTIVE 2



11.7 Financial control and financial corrections

11.7.1 General provisions

Financial control of SPD Objective 2 shall be undertaken in compliance with Article 38 of the Regulation, Commission Regulation No. 438/2001 and Act No. 320/2001 Coll., on Financial Control, with methodological guidelines for financial flows and control for the Structural Funds adopted by the Government of the Czech Republic, and with sectional methodological guidelines issued by the Ministry of Finance. When carrying out audits to which internal audit units will also contribute, the applicable audit standards of the International Organisation of Supreme Audit Institutions (INTOSAI) shall be observed.

11.7.2 Internal management and control system of SPD Objective 2

Necessary management and control systems (management control within the meaning of Articles 26 and 27 of Act No. 320/2001 Coll.) shall be in place for the paying authority, paying units, managing authority and the executive unit of the programme (CRD). These systems shall be capable of identifying administrative, systemic or deliberate errors and shall ensure that further mistakes do not arise.

The internal control system of SPD Objective 2 shall respect the following general requirements:

- a) a manual in the form of regulated documentation shall be prepared at each management level; this shall include detailed procedures for work undertaken,
- b) the practicality of management and control systems shall be the subject of an audit (a service that may also be carried out by an internal audit department set up within the framework of the competent authority).

The following shall be secured when carrying out individual tasks:

- a) consistent adherence to the "two signatures" principle,
- b) precise, timely and reliable double-entry bookkeeping related to projects co-financed from the Structural Funds,
- c) separation of approval, payment and accounting functions (a payment may not be approved, carried out and accounted by the same person),
- d) substitutability of employees in all functions,
- e) secure use of information systems,
- f) preparation of policies with a view to averting potential conflicts of interest.

11.7.3 Financial control at the level of the Ministry of Finance

As the central administrative authority for financial control, the Ministry of Finance through Central Harmonisation Unit shall, in compliance with Articles 3 and 7 of Act No. 320/2001 Coll., on Financial Control, provide methodological guidance and co-ordination for the performance of financial control under SPD Objective 2. Commission Regulation (EC) No. 438/2001 shall be the basic starting point for the issuing of methodological guidelines consulted with the competent bodies of the Commission.

The Central Harmonisation Unit shall:

- a) fulfil the control functions of the paying authority in relation to the Ministry's paying unit and to the managing authority of the SPD (including the CRD) with a view to monitoring the correct functioning of individual component of the managing authority and assessing the management and control systems in existence,
- b) draw up and submit regular reports to the Commission in compliance with Articles 5, 6, 8 and 13 of Commission Regulation (EC) No. 438/2001 (particularly information on the organisation of managing and paying authorities and mediation bodies, on the evaluation of the practicality of the management and control systems of these bodies, on the undertaking and results of random on-site sample checks in respect of operations in the previous year),
- c) methodologically direct and co-ordinate the activities of the department set up within the organisational structure of the managing authority which carries out random on-site sample checks in respect of operations (specific control activity pursuant to Articles 10-12 of Commission Regulation (EC) No. 438/2001),
- d) when ending assistance, issue declarations connected with implementation of SPD Objective 2 pursuant to Articles 15-17 and with the use of Annex III of Commission Regulation (EC) No. 438/2001.

The Central Harmonisation Unit is fully independent from the paying authority.

11.7.4 Financial control at the level of the managing authority

The Ministry for Regional Development shall have ultimate and overall responsibility for SPD Objective 2 in relation to the Commission, hence also responsibility for undertaking financial controls (pursuant to Article 8 of Act No. 320/2001 Coll., on Financial Control) and for observing the rules of the internal control system at all levels. Interim, ongoing and subsequent controls shall include physical and financial checks on individual projects, either on the site of implementation of the projects or at the offices of the authorities which are obliged to keep original documents relating to technical procedures and expenditure.

Within its remit, the managing authority shall be responsible for:

- a) reviewing applications for payment of expenditure submitted by the final beneficiaries of the support (in particular, verifying compliance with stipulated performance targets, with the financing plan for the project and with EU policies, and assessing the eligibility of the expenditure),
- b) undertaking controls of the physical implementation of projects (pursuant to Article 4 of Commission Regulation No. 438/2001) with a view to verifying that products and services that were co-financed were actually supplied and that the required expenditure was actually paid out and is in compliance with the terms of the financing agreement (or of measures put forward for eliminating irregularities),
- c) issuing certifications on work carried out (on the basis of supporting documents furnished by the Centre for Regional Development),
- d) submitting payment applications, together with copies of invoices and certifications of work undertaken, to the Ministry's paying unit,
- e) fulfilling the conditions of Article 7 of Commission Regulation (EC) No. 438/2001, which require that the management and control system of the SPD (at all levels) provide sufficient supporting documents for an audit ("audit trail") with focus on financial flows and control,

- f) collaborating with the paying authority in fulfilling Member State notification duty pursuant to Articles 5, 6, 8 and 13 of Commission Regulation (EC) No. 438/2001,
- g) submitting any changes made in written procedures (within the managing authority and the Centre for Regional Development) with a view to obtaining the approval of the paying authority.

11.7.5 Control of sample checks on operations and projects

Sample checks on operations and projects (Articles 10-14 of Commission Regulation (EC) no. 438/2001) for the SPD will be carried out by the Project Verification Unit, established as a part of the Department of Foreign Aid and Programmes Financing of the Ministry for Regional Development (the unit is organizationally and functionally independent of the programme managing structure, it does not share the structural funds control and it is not responsible for administration procedure related to the project implementation).

Contact address: Ministry for Regional Development, Department of Foreign Aid and Programme Financing, Staroměstské náměstí 6, 110 15 Prague 1

Contact person: Ing. Miroslav Prikryl, Department Director, tel. +420 224 861 302

The checks will be carried out on-the-spot and ex-post (that means after finishing the action or project), but before programme completion. The sample of checked actions and projects must cover at least 5% of the total eligible programme expenditure and must be spread on the whole programming period. The Project Verification Unit will draw up annual plans and plans of its control activities made on the basis of potential risk analysis. A complete survey of projects filed in the SPD information system (MSSF-CENTRAL and MSSF- MONIT) will be the basic framework for the risk analysis, choice of projects and drawing up annual plans of checks.

Sample checks on actions and projects will be used for the verification of:

- a) practical use and effectiveness of managing and controlling systems,
- b) compliance of accounting records with documentation kept by intermediate bodies, final beneficiaries (recipients) and by other entities or companies participating in actions,
- c) subsistence and adherence of sufficient data for audit trail,
- d) the fact that the checked expenditures relate to the approved binding indicators and to activities actually performed,
- e) the fact that the operation is in compliance with the factual content of the project application,
- f) the fact that the financial contributions from the Structural Funds meet the limits stated in Article 29 of Commission Regulation no. 1260/1999 and that they are paid to final beneficiaries (recipients) without any deductions or useless delay,
- g) the fact that the relevant national co-financing was provided,
- h) the fact that the co-financed activities are realized in compliance with the Community rules and policies, as required by Article 12 of Commission Regulation (EC) no. 1260/1999.

After each check, a written report will be produced. This report will contain findings gathered during the check, which will be discussed with the inspected entity. These reports will be given to the Managing Authority, the Paying Authority and the control unit of the MF.

The Ministry of Finance will keep a central register with information about results and process of sample checks. By 30 June of each year, The Ministry of Finance processes and

submits to the Commissions authorities an overall information on the pursuance of on-the-spot sample checks on operations and projects.

11.7.6 Internal Audit

Internal audit of the SPD Managing Authority is performed by the Independent Department of Internal Audit (12 - SOIA). This department is a functionally independent unit, directly controlled by the Minister for Regional Development. Internal audit performs an independent and objective inspection and evaluation of actions and internal control system (financial audit, system audit, operation audit) according to Act no. 320/2001, on financial control in public administration.

Contact address: Ministry for Regional Development, Independent Department of Internal Audit, Staroměstské náměstí 6, 110 15 Praha 1

Contact person: Vladimír Komárek, Head of Department, tel. +420 224 233 075

The audit performed by the internal audit unit of the ministry is generally focused on functionality of managing and controlling systems of the SPD, especially on the following issues:

- a) whether the Managing Authority follows the law, the measures and procedures approved,
- b) whether the risks related to the activities of the Managing Authority are early recognized and whether appropriate measures for their elimination and reduction are taken,
- c) whether operational and financial criteria according to § 4 of Act no. 320/2001 are fulfilled,
- d) whether the internal control system is sufficiently effective, and reacts to the changes of conditions in due time,
- e) whether the results achieved in the performance of the MA tasks give sufficient evidence that the approved intentions and targets of this body will be fulfilled.

On the basis of its findings, the internal audit unit submits a recommendation to improve the quality of internal control system, the risk prevention and reduction, and to introduce measures to correct the detected imperfection.

11.7.7 Control of the Supreme Control Authority

The Supreme Control Authority shall be authorised to carry out independent control activity within the meaning of the relevant provisions of Act No.166/1993 Coll., on the Supreme Control Authority.

11.7.8 Control activity undertaken by Commission authorities and the European Court of Auditors

Pursuant to Article 38(2) of the Regulation, the Commission shall be authorised, after filing prior notification (at least one day in advance), to carry out an on-site inspection, including random checks for operations financed by the Structural Funds and for management control systems. The Commission may also request a Member State to carry out on-site checks with a

view to verifying the correctness of one or more transactions; these checks may involve the participation of Commission representatives.

The European Court of Auditors shall carry out separate and independent checks within its remit.

11.8 Information and publicity

11.8.1 General tasks

In compliance with Article 46 of the Regulation and with Commission Regulation No. 1159/2000, the managing authority shall be responsible for ensuring that publicity is given to the programme and particularly for informing:

- a) potential final beneficiaries, trade and professional bodies, economic and social partners, entities promoting equality between men and women and the relevant non-governmental organisations about the opportunities afforded by the assistance,
- b) the general public about the role played by the Community in the assistance concerned and about its results.

11.8.2 Managing authority tasks

In co-operation with the Regional Council, the managing authority shall prepare a communication action plan as part of the programme complement and shall ensure that publicity measures are referred to in annual reports and the final report.

In compliance with the need to provide information about the opportunities afforded by SPD Objective 2, the launch of the programme shall be preceded by the preparation of detailed guidelines for applicants for financial assistance from the ERDF. These guidelines shall include all necessary details connected with the presentation of and dealing with an application for financial support under SPD Objective 2 (application form with explanatory notes, management structures of the programme, procedure of submitting and dealing with applications, contents of an agreement for the provision of financial resources from the SF with the final beneficiaries, the minimum cost of projects, possible level of support from the SF, key criteria for project evaluation, definition of eligible costs, evaluation of compliance with EU policies, particularly equal opportunities, the environment, public procurement, public support, etc.).

The Czech Centre for Regional Development shall be entrusted to prepare the above guidelines and to methodologically direct, co-ordinate and implement selected tasks connected with the implementation of the communication action plan. The managing authority shall appoint the director of the CRD as the person responsible for the above-mentioned tasks. The Czech Centre for Regional Development shall ensure that SPD Objective 2 is given publicity at national level.

11.8.3 Tasks of the Regional Council

The Regional Council shall be responsible for the communication action plan within the Prague NUTS 2 region and shall appoint a person with responsibility for publicity and information in respect of the programme, and shall ensure that an information office opens within the framework of its Secretariat.

The Regional Council's activities shall focus particularly on informing potential final beneficiaries (in relation to the presentation of projects), regional authorities and organisations, and the general public in the region. In addition, it shall be responsible for the placing of posters, large-scale advertising boards and commemorative plaques in project sites within its territory.

The SPD Monitoring Committee shall ensure in an adequate manner that information is provided about its work and progress towards carrying out assistance in areas for which it bears joint responsibility (decision-making within the meaning of Article 35 of the Regulation).

11.8.4 Task financing

The financial resources allocated to improving and support of access to information concerning SPD Objective 2 are specified in the financing plan for SPD Objective 2 as part of technical assistance.

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List of abbreviations used

AS	Czech Academy of Science
ASTP	Association of Socio and Technological Parks
BIC	Business and Innovation Centre
BR	Business Register
BRIS	Bohemian Regional Innovation Strategy
CCTV	Closed Circuit TV System
CDAS	City Development Authority Section
CEI	Czech Environmental Inspection
CHMI	Czech Hydro-meteorological Institute
CHS	Central Heating System
CKD	Czech-Moravian-Kolben-Daněk
CMGDB	Czech-Moravian Guarantee and Development Bank
CNB	Czech National Bank
CRD	Centre for Regional Development
CS	Community Service
CSF	Community Support Framework
CSN	Czech Standard
CSO	Czech Statistical Office
CVUT	Czech Technical University
DG	Directorate General
EAGGF	European Agriculture Guidance and Guarantee Fund
EAP	EU Environmental Action Programme
EC	European Commission
EIB	European Investment Bank
ERDF	European Regional Development Fund
ESF	European Social Fund
EU	European Union
GCSE	General Certificate of Secondary Education
GDP	Gross Domestic Product
ICN	Information Centre for Non-profit Organisations
ICT	Information and Communication Technologies
ILO	International Labour Organisation
INTERACT	Project of interactive provision of environmental information
INTOSAI	International Organisation of Supreme Audit Institutions
ISPA	Instrument for Structural Policies for Pre-accession
ME	Ministry of the Environment
MEYS	Ministry of Education, Youth and Sports
MF	Ministry of Finance

MIT	Ministry of Industry and Trade
MLSA	Ministry of Labour and Social Affairs
MRD	Ministry for Regional Development
NDP	National Development Plan
NGE	Net Grant Equivalent
NPF	National Property Fund
NUTS	Nomenclature of Territorial Units for Statistics
OVIS	Department of Public Investment and Foreign Assistance
PALMIF	Pro-Active Labour Market Intervention Fund
PCH	Prague City Hall
PVL	Company Administering the Vltava River Basin
ROP	Regional Operational Programme
ROPID	Regional Organizer for Prague Integrated Transport
SEA	State Employment Administration
SEF	State Environmental Fund
SF	Structural Funds
MSSF	Monitoring System for Structural Funds
SMEs	Small and medium-sized enterprises
SOP	Sectoral Operational Programme
SOP HRD	Sectoral Operational Programme for Human Resources Development
SPD	Single Programming Document
SPJ	Socially Purposeful Jobs
STIF	State Transport Infrastructure Fund
STR	Strategic Planning Department
SWOT	Strengths, weaknesses, opportunities, threats