

**THE EU REGIONAL POLICY IN THE CZECH REPUBLIC AND ITS IMPACT ON EUROPEAN IDENTIFICATION OF CZECH CITIZENS**by **Vratislav Havlík**

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**I. THE EU REGIONAL POLICY IN THE CZECH REPUBLIC 2004-2014 – THE SETTING AND THE MAIN ACTORS<sup>1</sup>**

The EU Regional Policy has brought a notable degree of Europeanization of territorial arrangement. Czech regions (*kraje*) founded in 2000, did not correspond to the desired size of NUTS II-level regions, which were traditionally understood in the EU as the appropriate level for the implementation of regional policy. Some regions were therefore sometimes merged together, with two or even three regions “glued” together in the artificial form of a NUTS II region; however, these areas had no historical relationship, connectedness, or territorial integrity, as well as having absolutely no common identity. Regions with higher populations were more fortunate, and could choose to create their own NUTS II region congruent to their existing borders; this occurred in the cases of the Moravian-Silesian Region, the Central Bohemian Region, and the Capital City of Prague. In general, the size and shape of NUTS II regions in the Czech Republic led to a wide discussion, and the formation of these administrative territories (often grafting together historically disparate areas) was itself a largely disappointing situation for the *kraje* (Dočkal-Kozlová 2006: 20).

The Czech Republic received funding from EU Cohesion Policy organs even before the country’s accession in 2004. This including funding from the pre-accession PHARE, SAPARD, and ISPA programs, which, among other, had the goal of reducing the gap between the EU and the Czech economy. After 1 May 2004, these instruments “ran out,” and the Czech Republic, as a full member of the EU became a “full” recipient of the EU’s Structural Funds. The first round the Czech Republic was involved in was a relatively short time, from 2004 to the end of 2006, in which the country received 2.8 billion euros, which were allocated across a total of 16 programs. A considerable amount of the financial resources which the Czech Republic has been eligible to receive for each individual programming round is related to the fact that the majority of the country is poorer than 75% of the EU average, and is thus included in what was previously known as Objective 1, known as “Convergence” in the 2007-2013 programming round. Only the Capital City of Prague region fell under Objective 2, due to its higher than average economic development vis-à-vis the rest of the Czech Republic.

The government as well as the general public looked to the period of 2007-2013 with a great deal of hope, and the fact that the Czech Republic received 26 billion euros, of which the vast majority (25.89 billion) was directed toward the objective of “Convergence” was generally accepted as a boon to the country. The government of the Czech Republic and the administration of the NUTS II regions prepared 26 Operational Programs to obtain the money from the Structural Funds, which were considerably more programs than in the periods before as well as after this round. The creation of Operational Programs was characterized by a relatively high level of decentralization, in which the individual NUTS II regions had a large amount of autonomy. Some critics

later saw this fact as one of the main problems of the system fostering an environment of corruption (see below). The bulk of the overall financial package was allocated to eight republic-wide Operational Programs, with an additional nine Operational Programs created in the area of European Territorial Cooperation. In the context of the aforementioned “regionalization” of regional policy, seven Regional Operational Programs (ROP) were created, and finally two were formed for Prague, even though it was prevented from applying under the Regional Competitiveness and Employment Objective due to its above-average development, in contrast to the rest of the country.

One crucial body of regional policy at the central level in the Czech Republic in the years 2007-2013 was the Management and Coordination Committee. The main activity of this body was to coordinate the preparation and implementation of EU programs. Its goal was to involve as many actors as possible in policy building helping actors at the regional and local level to work with those at the national level, as well as facilitating contact on the level of the civil society. The composition of the committee, which has acted as the main “partnering” arena in the Czech Republic is extremely diverse – according to the body’s bylaws, voting rights are afforded to a maximum of 40 members, representing ministries, NUTS II regions, the Capital City of Prague (in its capacity as a NUTS II region), the Office of the Government, employee unions, chambers of commerce and industry representatives, universities, and other representatives of civic society. One interesting aspect of this is that representatives of cities, however, do not have a single member with voting rights, even though these decisions impact them. This is indicative of a phenomenon that often is seen in other areas of regional policy, where cities are somewhat underrepresented in spite of their efforts (see Havlík 2014). Additionally, the Management and Coordinating Committee obviously is not the only arena on the central level which implements the partnership principle. Coordination committees also exist at individual ministries; furthermore, there are working groups for individual topics, the majority of which include representatives not only of the *kraje*, but also of cities. Similarly to what occurs at the highest level, the partnership principle also has been implemented at the level of regions. Alongside the Management and Coordinating Committee of the Operational Programs, “Monitoring Committees” were also established during the 2007-2013 Programming Period to oversee the phases of implementation and evaluation of regional policy in accordance with the partnership principle.

The participation of individual actors in the formation of regional policy varies widely. While it is clear that ministries and *kraje* are well represented in the aforementioned monitoring committees of individual Operational Programs, the same cannot be said for cities, whose representation (generally only one or two members of the committee) is on par with that of unions, business groups, and universities. At a minimal level, cities take part in all phases of the political cycle, starting with the publication of an initial public consultation by the European Commission (initiation phase), to participation in the consultation and associated hearings, and the implementation of the general strategic principles of the Union in Member States, right up to involvement in the evaluation phase, by taking part in monitoring committees for Operational Programs. In all these phases, however, the member base of the associations representing cities and municipalities is usually very heterogeneous (ranging from small municipalities to large cities). This state of affairs, however, must be further interpreted. Czech cities communicate with the associations of cities in varying degrees of willingness and preparedness. The opinion presented by an association of cities may thus be rather intuitive and, in spite of the assurances given by some (rather passive) cities that they trust the associations entirely, this attitude is open to doubt. (see Havlík 2014 or Havlík 2013: 158-166) It may thus be stated that Czech cities are MLG actors, but unfortunately, they are atypical actors to a pronounced extent. They are invited to regional policymaking sessions as representatives of the local sphere, but their position in the process is strongly determined by the relatively low number of representatives in key governance platforms (monitoring

committees, ministry working groups, etc.). The activities they undertake are on an *ad hoc* basis and are difficult to generalize. The classic behavior of cities usually entails passivity in the Czech context. However, proactive cities do exist that strike out on their own and try to negotiate support for beneficial projects or to address specific difficulties in the implementation process (Havlík 2013: 158-166).<sup>2</sup>

The current Programming Period of regional policy, 2014-2020, in which the Czech Republic will receive up to 20.5 billion euros, saw a return to a centralized distribution of subsidies, following the 2007-2013 phase of decentralization. The original Regional Operational Programs administered by individual NUTS II regions were ended, and replaced by a single Joint Regional Operational Program in reaction to corruption scandals as well as other things (see below). This trend can obviously lead to a more restricted space for the regional and local partnerships that were formed on the basis of regional Monitoring Committees (see above).

## **II. MAIN PROBLEMS: CORRUPTION AND INEFFECTIVE EXPENDITURE OF EUROPEAN FUNDING**

The dominant problem with respect to the implementation of European regional policy in the Czech Republic is the high level of corruption and fraud. This is not to say that the implementation structure as such should be impugned; instead, it suggests a negative image in the media that the European Structural funds have received in the Czech Republic in recent years. Several scandals have been publicized in the media which have led to convictions (or at least indictments) of various figures; these cases have been widespread, rather than merely in one region. In a case involving the NUTS II Northwest Region, corruption surrounding the distribution of ESF led to an indictment of one top regional policy staffer. Petr Kušnierz, who was sentenced to five years in prison, was found guilty of asking for a 10% cut from applicants of European subsidies (Idnes.cz, 2013). The case as a whole continued up to the EU level, in which Ústecký and Karlovarský kraj were ordered by the European Commission to pay back in to the Regional Operational Program a fine of more than 90 million euros (Angermannová 2013). The case was further complicated by the fact that in addition to the high position of staffers, regional politicians were also implicated; the most high-level of these was the Regional Lieutenant Governor, Pavel Kouda. Undoubtedly, the most famous scandal concerning the abuse of European subsidies was the case of the top politician in the Central Bohemian Region and a leading figure in the Czech Social Democratic Party, Regional Governor David Rath. The case was notable for its audacity, in that Rath was arrested on the street with 7 million Czech crowns in a bag, but it was also controversial for being in a different region. This seemed to indicate that corruption was endemic and that it was a “dyed in the wool” phenomenon. The resulting reaction by the Ministry of Finance of the Czech Republic demonstrated that the suspicion of corruption regarding European funding was seen as severe, and the Ministry suspended the allocation of funds from the Regional Operational Program (ROP) of Central Bohemia. In addition to these two *kraje*, speculation about illegal distribution of European subsidies also occurred in the South Bohemian and the Pilsen *kraje*. As mentioned previously, in addition to objective findings of fact (in which various regions were areas of corruption regarding European funds), the media image of the EU regional policy also has remained

2. It is thus understandable that many scholars leave cities out of the MLG concept and do not include them as an independent (local) governance level (Jeffery 2000 or Knodt; Hüttmann 2006: 229).

a problem. In the past year alone, headlines such as “Police in Liberec go on the offensive due to EU subsidies, ex-politician of ODS also arrested” (Idnes.cz, 2014) or “Wild (North)west: *Kraje* to pay 2.5 billion for Subsidy Corruption.” (Lidovky.cz 2013).

Corruption has thus increasingly become a component of the discourse of European regional policy in the Czech Republic. The severity of the problem of corruption regarding the distribution of Structural Funds has also been observed by the Ministry of Regional Development, which is responsible for their allocation, developing the “Strategy to Combat Fraud and Corruption in Regards to the Allocation of Funds” in March of 2013. In this document, the Ministry specifically states that: “In the period of 2007-2013, there were a number of cases of the abuse of resources provided by the funds of the EU. In the case of several Operational Programs, this had a significant negative effect on the national budget, and in several cases, payments from the European Commission were temporarily suspended” (see Ministerstvo pro místní rozvoj 2013). Corruption thus has not only been a simple matter of media speculation and the subject of ongoing court cases, but the government has also acknowledged the problem.

In addition to the issue of corruption, media attention has often pointed out the inability of the Czech Republic to collect the funding from the ESF that it has been allocated by the EU. In their 2012 analysis *Problematika čerpání prostředků ze strukturálních fondů v České republice: překážky limitující plynulé čerpání z fondů* (“The Problem of Drawing Funding from the Structural Funds in the EU: Obstacles Limiting the Smooth Flow of Funds”), Lucie Zimmermannová and Lenka Brown (2012: 15-16) identified other problems in addition to corruption and fraud, which have prevented efficient withdrawal of the EU Structural Funds. The most persistent problems include the following:

A. The issue of administrative capacity – the central state often fails to retain trained professionals in the relevant positions; hiring and retaining professionals who have the required qualifications and at the same time EU-related expertise is very difficult.

B. Bureaucratic inertia – in particular, the slow pace of administration and frequent changes in conditions; according to the analysis, simplification of the system by legislation has not taken place sufficiently quickly.

C. Promotion and communication – this is primarily related to the low quality of translated materials and publications. If the responsible body of the Operational Program was faced with a more complicated request or from individuals, the answer only came after several months and multiple reminders.

D. The monitoring system of the Structural Funds – the information system designed to ensure effective monitoring of projects co-financed by the structural funds is inadequate. The system lacks the control mechanisms that are usually implemented in such projects, and permits the recording of incorrect and even irrational data. The European Commission has criticized not only the functionality of the system, but also the bidding process for a service provider.

The problems listed above had been a long-term phenomenon concerning the ability of the Czech Republic to obtain the funding that the EU had allocated to it in the period between 2007 and 2013. This was particularly problematic regarding the oversight of funding withdrawals, which is supposed to be conducted by the Ministry of Finance. According to the annual report of the European Commission for 2012, the Czech Republic had the worst-performing oversight in the entire Union, which led the Commission to point out an almost non-functional process of obtaining funding (European

Commission 2012). The Commission explicitly noted that “For one audit authority (Czech Republic), it was concluded that it essentially does not function and an action plan, linked to payment interruptions, was carried out in 2011-2012 leading to two flat rate financial corrections accepted in 2012.” Interrupting the allocation of subsidies to the Czech Republic is a step that the Commission has implemented in the past several times, which only confirms the seriousness of the problems listed above (corruption, bureaucracy, etc.).

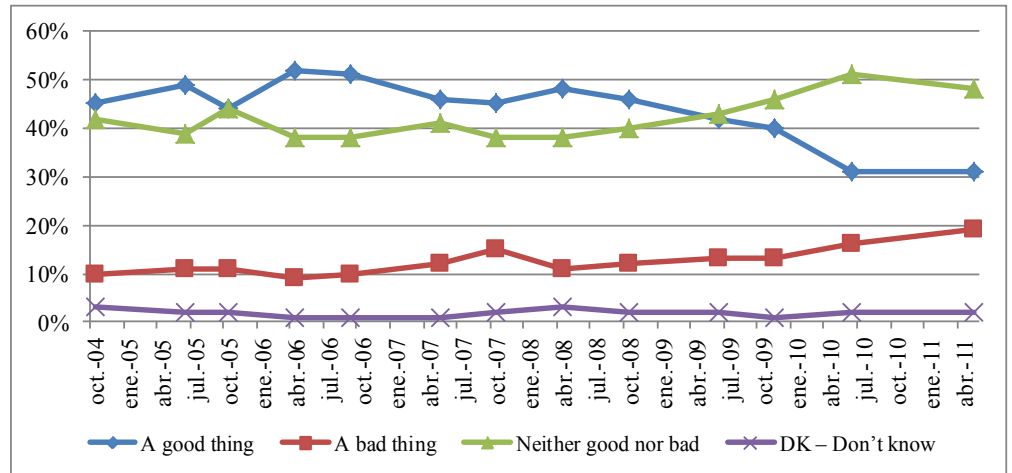
In addition to other problems of European regional policy in the Czech Republic, the instability of implementation structures is also noteworthy. Even in 2006, during the planning period for the 2007-2013 round, Vít Dočkal, in his work on the implementation of EU regional policy in the Czech Republic, noted that “the arrangement of various Operational Programs became an issue of conflict as well, particularly the shift from the Common Regional Operational Program (SROP) to the seven Regional Operational Programs (ROP)... At the current time, the *kraje* loudly called for this program to be delegated each *kraj* separately, so that each one could arrange their program documents with an eye to the actual needs of their own region, and mainly, so that they could use financial resources as they saw fit” (Dočkal 2006: 57). Seven years later, the situation was completely different and in contrast they called for the centralization of Regional Operational Programs, which points toward the total unpredictability of implementation of European regional policy in the Czech Republic.

### **III. DOES EU COHESION POLICY LEAD TO CZECHS HAVING A STRONGER IDENTIFICATION WITH THE EU?**

In the 2003 referendum on joining the European Union, supporters cast a convincing 77.3% of the votes. While this figure was to a certain extent influenced by the low voter participation rate (55.2%), it nevertheless reflected the highest identification with the EU over the past decade. In later polls, we have generally only seen declines from this level. The Czech Republic is seen in the context of other nations as a somewhat euroskeptic Member State, in part due to the problematic ratification of the Lisbon Treaty. The position of the Czech Republic toward European integration, however, depends on whether we take the opinions of average citizens or of the political elite. Elites generally support Czech membership in the EU, and with exceptions (characterized best by those such as former President Václav Klaus), the political elite takes a more or less pro-integration stance. The stance taken by the general public is rather fluid, and is undoubtedly the result of a variety of factors. On the basis of results from Eurobarometer, in the period shortly after accession, slightly less than half to half of those polled supported Czech membership in the Union, while only about 10% regarded membership as a “bad thing.” The number of EU opponents began to (only slightly) increase after 2008; more interestingly, however, is steep decline in the number of respondents who indicated that membership was a “good thing,” from 45% in 2004 to only 31% in 2011. A corresponding increasing trend was seen among those who saw the EU as “neither good nor bad,” which represented half of respondents in 2011.<sup>3</sup>



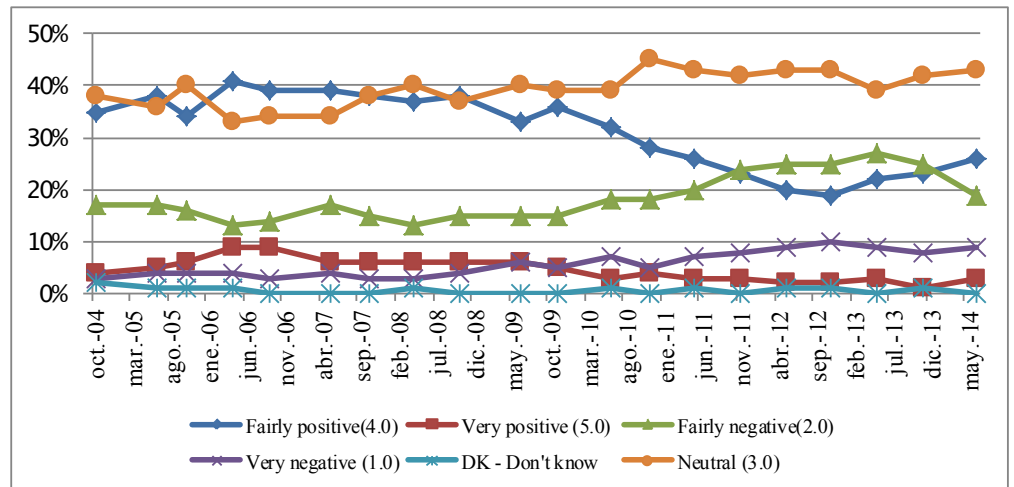
**Figure I: Generally speaking, do you think that (your country's) membership of the European Community (Common Market) is...?**



Source: Eurobarometer Surveys

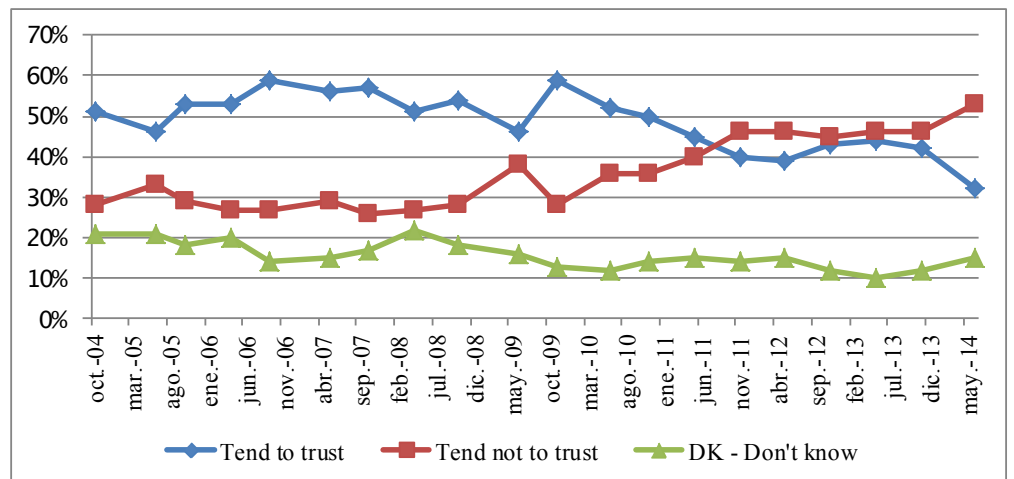
Similar statistics from Eurobarometer indicate the attitudes of Czechs from 2004 to 2014 showing their feelings about the EU. The tendency in this case is similar to the other statistics mentioned above. After 2009, the relatively constant positive image of the EU began to decline and in contrast to the enthusiasm shown in 2004, over one-third of Czechs had an overall negative impression of the EU. What is probably most interesting, particularly in the context of regional policy, is to compare the trend of trust in the European Commission among citizens of the Czech Republic. We see a gradual fall in this statistic as well, but this nevertheless begins considerably later than in the case of the polls dealing with EU membership generally. Czech distrust of the European Commission began to sharply increase at the end of 2011, and eventually rose to 53% by 2014 – almost twice as high as it was in 2004. As such, while support for Czech membership in the EU and the overall image of the EU began to worsen at about the same time as the economic crisis, distrust of the European Commission among the majority of the population rose considerably later. We can only speculate about the reasons for this anomaly. It could reflect a correlation with the long-running decline of trust in institutions in general among Czechs, as well as possibly taking into consideration the aforementioned cases of corruption regarding the distribution of the Structural Funds, which were widely discussed in the media during this time.

**Figure II: In general, does the European Union conjure up for you a very positive, fairly positive, neutral, fairly negative, or very negative image?**



Source: Eurobarometer Surveys

**Figure III: Trust in the European Commission**



Source: Eurobarometer Surveys

## IV. CONCLUSIONS

In the period of 2007-2013 as well as in the current funding round of 2014-2020, the Czech Republic was able to negotiate a substantial supply of funding from the EU in the form of the Structural Funds. In the first round, it became clear that the two main problems of receiving this funding centered on corruption during the distribution of subsidies as well as a long-term problem with respect to absorptive capacity and burdensome administration, insofar as the Czech Republic did not possess the capabilities to receive all the money allocated to it during the previous Programming Period.

During the 2007-2013 period, the range of actors involved in the implementation of regional policy significantly widened. This trend coincided with the decentralization of the securing of Structural Funds, in which the chief phenomenon was the founding

of the “Regional Operational Programs.” However, it was precisely this move toward decentralization that critics argued led to such corruption on the regional level, which in turn led the government to return to centralize the allocation of European funding and create a single Joint Regional Operational Program. This step illustrates just how complicated the situation regarding EU regional policy in the Czech Republic is.

Only with many caveats can we interpret the aforementioned trend concerning Czechs’ faith in Union membership, as well as their trust in the European Commission. At first glance, while the fall in support among Czechs regarding the country’s membership in the EU correlates with the onset of the economic crisis, the decline in trust toward the Commission only occurred in 2011. This means that it would be highly speculative to search for reasons, and the problems with the implementation of EU regional policy thus may only be one of many reasons: general corruption in regional policy may – but does not necessarily – play a role in the question of the identification of Czechs with the EU. On the other hand, we can say with relative certainty that the significant amount of the funding allocated to in the Czech Republic under EU regional policy fails to correspond to a rising or at least steady amount of trust in the EU. Instead, the trend is opposite, and the ardent media attention given to corruption scandals cast a long shadow on the otherwise positive impacts of projects of EU Regional Policy.

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