

Ministry for Regional Development of the Czech Republic



Regional Development Strategy of the Czech Republic

(Summary)

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1. Relations and Competencies in the Area of Regional Policy

Pursuant to Act No. 2/1969 Coll., as amended, the Ministry for Regional Development of the Czech Republic (the “Ministry”) is a central state administration authority responsible for regional policy and other areas, like housing, tourism and spatial planning, which also affect to a great extent the development of the regions. Based on the foregoing, the Ministry sets forth the regional policy principles of the Czech Republic and takes basic conceptual and implementing steps towards their fulfilment.

The **basic national document** of the regional policy of the Czech Republic is the Regional Development Strategy, elaborated under the supervision of the Ministry, which includes, in particular, the following:

- an analysis of the status of the regional development,
- a characteristic of the strengths and weaknesses of the development of individual regions (kraj) and districts,
- strategic objectives of the regional development in the Czech Republic,
- a definition of regions with concentrated state support)
- recommendations to the relevant central administrative authorities and regions for the focus of the development of sectors falling within their competencies.

Relation to other strategic documents of the Czech Republic

Principal trends and objectives of the regional policy of the Czech Republic:

- are based on the Sustainable Development Strategy of the Czech Republic and form a reform, growth-promoting plan formulated in the Economic Growth Strategy of the Czech Republic (EGS) and the National Programme of Reforms (NPR);
- interact with the principal objectives of ministerial and regional strategies and programmes,
- are harmonized with EU priorities set out in the economic and social cohesion policy and in the renewed Lisbon strategy (cohesion, growth, employment).

However, the national specifics of the regional requirements and structures of the Czech Republic still remain the set-off points. The regional development strategy is based primarily on the Economic Growth Strategy of the Czech Republic, which is the basic governmental document for the years 2007 – 2013 and which ties together sectoral and territorial aspects.

The regional development strategy is based on the “**Czech Republic Strategy for Sustainable Development**” (Government Resolution No. 1242/2004), which represents a long-term framework for maintaining the fundamental civilization values and quality of life of the society and the basis for the preparation of other conceptual documents. The objectives and tools of the Sustainable Development Strategy are directed at the reduction of imbalance in mutual relations between the economic, environmental and social pillars of sustainability. A number of thematically conceived strategic objectives are focused on securing such balance; the link to the Regional Development Strategy is expressed concisely by the objective “to promote the sustainable development of municipalities and regions”. The partial

objective of the economic pillar is as follows: “in the field of regional development, to create conditions that will alleviate, or even eliminate, regional economic disparities, while drawing on opportunities to support the cross-border cooperation of regions”. The objectives set forth within the scope of the environmental pillar are set globally for the entire territory of the Czech Republic. The regional specific stated in the social pillar is the promotion of the development of rural areas. The objective specified in the chapter “Good Governance” is the creation of conditions for optimising the use of own resources of the regions, to support the utilisation of local sources of secondary raw materials and the preferential use of renewable sources of energy with the maximum use of the regions' potential, to support the alleviation of regional disparities, the balanced development and activation of internal resources of the regions, mainly through the development of local economies of municipalities, cities and also of micro-regions and small-sized enterprises and to support cultural diversity in individual regions.

In its concept, the Regional Development Strategy adheres to the regional policy objectives of the European Union and counts on the maximum possible use of all opportunities arising to the Czech Republic from its membership in the European Union. It formulates globally the objectives, problems and priorities which will have to be safeguarded during the implementation of the regional development policy in the Czech Republic and the overlaps between the European and the Czech regional policy. In accordance with the subsidiarity principle, the development activities proposed by the strategy will be carried out at the local, regional or departmental level and will be funded either by the national development programmes or by the operational programmes with the use of funds provided by the Structural Funds of the European Union. In this respect, the Strategy envisages both these possibilities and covers the activities of ministries, regions (kraje) and municipalities, provided that they have a relevant impact on the regional development. From this viewpoint, the Regional Development Strategy is an important source document in the preparation of the National Development Plan (NDP) and the National Strategic Reference Framework (NSRF) and the operational programmes, focused on drawing financial means from the European funds.

As regards the cohesion policy, the Regional Development Strategy is the fundamental input document for the regional dimension of the basic national programming documents – the “National Development Plan” and the “National Strategic Reference Framework”. These documents are umbrella documents for all three new cohesion policy objectives – convergence, regional competitiveness and employment and the European territorial cooperation, define the main areas of intervention of the Structural Funds in the level of priorities and justify the number and focus of the operational programmes. The relation of the Regional Development Strategy is interactive, which means that the Regional Development Strategy is based on the basic principles and priorities of the cohesion policy while bringing into them at the same time the regional aspect.

The Regional Development Strategy is coordinated by another document of the Ministry, the “**Territorial Development Policy**”, a national territorial planning tool which serves to coordinate the territorial planning activity of the regions and the ministerial conceptions linked to the territory. The Territorial Development Policy determined, for the relevant period, the requirements of specification of territorial planning tasks in the national, international, supra-regional and cross-border context, particularly with regard to the sustainable development of the territory, and determines the strategy and basic conditions for the implementation of these tasks. The content of the Territorial Development Policy will include, in particular, the national territorial planning priorities to safeguard sustainable

territorial development and will define the areas with increased requirements for changes in the territory due to the concentration of activities of the international, national and supra-regional importance. This document will also define areas which possess specific values and which face specific problems, as well as corridors and areas of transport and technical infrastructure of the international, national and supra-regional importance, and will determine the criteria and conditions of the development of the defined areas, corridors and spaces.

Definitions of basic terms

The term *regional development* means the growth of the socio-economic and environmental potential and competitiveness of regions leading to the increase of the living standard and quality of life of their population. In this respect, this represents a dynamic and balanced development of the regional structure of the relevant territorial unit and its parts (regions, micro-regions) and the removal or alleviation of regional disparities.

Regional disparities mean the disparities in the level of economic, environmental and social development of the regions to the extent which is acknowledged by the society as undesirable. For instance, disparities resulting from diverse conditions of individual regions and the differences in the quality of life resulting from these conditions, for instance, in urban or rural areas, where the advantages and disadvantages are mutually balanced.

Regional policy represents a set of interventions focused, subject to the specific situation of the state and its regions and with envisaged development tendencies, on the promotion of measures leading to the growth of economical activities and their better distribution within the territory and to the development of infrastructure. The basic condition is a clear definition of priorities and concentration of funds on these priorities.

The important objective of the regional policy is the convergence of regions within a certain territorial unit and its key characteristic is its selectiveness, which means the differentiation of the focus of interventions to support selected problem regions, the development of which lags behind significantly to the extent considered as undesirable by the society.

In the terms of the Czech Republic, the EU regional policy is implemented in selected NUTS 2 regions, the national regional policy is implemented in selected regions supported by the state (Section 4 of Act No. 248/2000 Coll.) and the regional policy of the regions (kraje) is implemented in selected micro-regions.

The basic levels of the regional development and the implementation of the regional policy of the Czech Republic are as follows:

- the cohesion regions (NUTS 2) – statistical areas,
- self-governing regions (kraje) (NUTS 3) – higher-level local administration units,
- district – regional units for the specification of regions with concentrated state aid,
- administrative districts of municipalities with extended powers (SO ORP) – administrative areas,
- municipalities – municipal and city authorities.

The state is responsible for conceptual and executive activities of legislative and executive components of the state in the field of regional policy and support of the regional

development, including the procurement of state budget funds and adequate legislative measures.

The state support of the regional development is supposed to ensure the growth of the socio-economic and environmental potential of regions, to increase their competitiveness, to provide for a balanced development of the regional structure of the state and to diminish excessive differences in the level of economic and social development and environmental conditions of regions.

Thus, if the subsidiarity principle is applied, the tasks of the state in the field of support of the regional development and implementation of the regional policy include, in particular, the following:

- elaboration of the regional policy concept of the state,
- analysis and identification of regional disparities,
- identification of problematic regions, which need to be supported at the national level,
- determination of the scope and focus of the state support provided within the national programmes of promotion of the regional development, required for the removal of regional disparities.

The regional level is responsible for conceptual and executive activities of self-administration bodies of the regions in the field of regional development. These bodies of the region (kraj) form the basic structural units for the creation and implementation of the regional development in the Czech Republic, cooperate with the central state administration authorities and coordinate the interests of municipalities in regional development issues of supra-municipal importance.

The tasks of the regions include, in particular, the following:

- coordination of the development of the territorial area of the region and the development of sectors falling within their own powers,
- designing the internal development policy of the regions, elaboration and implementation of development programmes,
- defining regional development priorities, influencing the development of regional disparities within the region and paying attention to the preservation of the diversity of the landscape and economic structure of the territory.

Until 31 December 2002, the **districts were responsible** for temporary performance of certain tasks related to the designing and implementation of support of the regional development (pursuant to the Government Resolutions No. 258/99 and 511/99, the district authorities were closed down and their activities were replaced, since 1 January 2003, by municipalities with extended powers).

The tasks of the municipalities include conceptual and executive activities of self-administration bodies of the municipalities in the field of local development, preparation of incentives for solution of supra-local problems, definition of supra-local programmes and participation in the implementation of regional programmes.

Relation to regions

The state and the regions (kraje) have their irreplaceable roles in the promotion of the regional development. They cooperate but cannot replace one another. The regions are unable to assume the role of the state for the simple reason that they operate merely within their own designated territory and cannot overcome the spatial limits of powers of territorial self-administration units. On the contrary, the removal of regional disparities requires a unified evaluation of problems throughout the state territory and deciding in accordance with unified criteria as to which deprived territorial units are to be supported and how to support them. Moreover, the state acts towards the relevant institutions of the European Union as the irreplaceable partner in the implementation of the economic and social cohesion policy and thus also in the realisation of EU regional policy in the Czech Republic territory.

The Regional Development Strategy respects the self-governing role of regions in the performance of partial regional policy functions and in the development of the regions. The crucial element in this respect is the application of the subsidiarity principle, in the light of which the Regional Development Strategy represents an umbrella conceptual document both for the elaboration of regional development strategies and for the application of individual tools in the implementation of the national regional policy in the course of preparation for a drawing of funds from the European Funds.

2. Starting points of the regional development strategy

The ultimate objective of the priorities of the regional development strategy is the alleviation of existing regional disparities through:

- an active policy of directing funds to the support of optimisation of the development potential of the regions,
- a policy of allocation of funds to additional removal of adverse social effects of the economic downsizing of structurally affected regions.

The purpose of the regional policy of the Czech Republic does not lie in an egalitarian distribution of limited resources, but in a clear definition of priorities and concentration of funds.

Such conceived growth strategy can be safeguarded by the following diversified development processes of the regions:

a) Mobilization of the natural and cultural potential

Effective use of the development potential of the regions based on mapping the locally diversified natural and tangible development potential and application of efficient measures for its use. Expansion of capital absorption capacities of the regions for the purpose of maximum utilization of the natural and cultural development potential. Revitalization of regional traditions and their use as a source of economic growth within the framework of globally dynamically developing segments, like tourism or economisation of the cultural heritage.

b) Dissemination of development innovations

Dissemination of the effect of spatial development poles in the form of transmission of information to regions indifferent to development.

c) Use of comparative advantages

Competition between regions and large cities for important economic activities, based on the accentuation of their positive factors and development prerequisites and support of measures which aim at the elimination of negative disparities dysfunctional for their development and which allow further use of these factors and prerequisites.

d) Spatial cohesion, development of infrastructure

Internal integration of regions based on the territorial division of labour, optimising the use of comparative advantages and accessibility of individual parts of the territory and catchments links among them. Strengthening of economic and social cohesion by capital investments into the development of the infrastructure of the regions.

e) Differential development of human resources in regions

Increase of education, skills, motivation, social and spatial mobility of the inhabitants and their readiness to act in order to ensure higher effectiveness of their involvement in the development projects and in the application of the principles of the local Agenda 21.

f) Cross-border and inter-regional cooperation

Making use of the possibility of cross-border regional cooperation within the Central European space and cooperation with other European regions and international organizations.

g) Increasing social cohesion of regions

A high level of social cohesion of regions based on an economic and civic participation of individual population groups and their identification with the relevant territory and on functional support of integration of excluded groups with the common aim of improving the quality of life in the region. Modernization of the socio-economic structure of the population in the regions and a prerequisite for their long-term sustainable development.

h) Stabilization of the settlement structure of the regions and revitalization of the rural area

To increase the spatial flexibility on the labour market by promoting the substitution of permanent migration with commuting to work without making significant changes in the settlement structure of the country with the aim of reducing the depopulation tendencies of municipalities and prevention of urban sprawl. Revitalization of the rural area by means of use of modern technologies, IT, modernization of agricultural production and enhancement of the environmental functions of the landscape. Increasing prestige of the country side by means of improving the quality of the environment and providing support to the improvement of the landscape potential.

i) Quality and openness of public administration in regions

Improvement of the quality and effectiveness of the exercise of the regional and local public administration and of its availability to the inhabitants. Promotion of the development of the partnership among the private, public and non-profit sectors and of open communication.

j) The environment

Thoughtful use of the environmental potential in further increase of the socio-economic potential and competitiveness of regions in accordance with the principles of sustainable development. Improvement of the quality of life through systemic protection and increase of the quality of the environmental components.

3. Principles of the Regional Development Strategy:

Solidarity

The fundamental principle is the solidarity of the strong regions with the weaker and disadvantaged regions. The solidarity and its effects are an extra-economic category; however, re-distributed sources represent a real cost. Therefore, they have to bring along positive economic effects not only to the recipients but also to the providers of the aid, even in a long-term perspective.

Cohesion

The key effect of solidarity is the strengthening of cohesion of the entire territory of the country. Such cohesion is conditional upon equal development opportunities of all territorial units, i.e. upon levelling dysfunctional regional disparities. The cornerstone of such concept of cohesion is the completion of adequate transport, technical environmental, administrative, social, educational and other infrastructure in individual regions.

Growth

One of the prerequisites of successful regional policy is the dynamic and environmental sustainable economic growth and the increase of the quality of life of the population of the Czech Republic. This is not only a condition of fast elimination of barriers, but also a prerequisite for full utilization of the potential of the regions.

Competitiveness

At the same time, a growth-oriented regional policy is focused on strengthening the competitiveness of individual regions and areas, which promotes the utilization of comparative advantages with positive effect in the regions.

Sustainability

The regional policy stems from the principle of sustainable development, which is represented by a balanced relation among the economic, social and environmental components of the regional development.

Since it is the aim of the regional policy of the Czech Republic for the years 2007-2013 to utilize to the maximum extent the financial means provided by EU funds, the major part of the objectives is presumed to be implemented through the operational programmes specified in the National Development Plan and in the National Strategic Reference Framework for this period. The aim is to implement individual regional development projects through **the following operational programmes:**

regional operational programmes elaborated and implemented by the regions (kraj) (NUTS 2 cohesion regions), with an emphasis on capturing (tackling) problem specifics and development possibilities of individual regions,

the Integrated Operational Programme covering the field of services (social, health care, information, administrative, cultural, tourism, recreation, etc.) with a primarily regional dimension, which is elaborated and implemented by the Ministry of Regional Development in cooperation with the regions,

Sectoral operational programmes in the field of enterprise, infrastructure and human resources development, which are elaborated and implemented by central state administration bodies and authorized organizations and which have a secondary regional dimension.

If it is impossible to use the financing from EU funds in the implementation of certain objectives, the Regional Development Strategy identifies the possibilities of their funding from other public sources (National Regional Development Programmes) or from private sources, including the Public-Private Partnership. Moreover, some of these objectives will be implemented by way of organizational, legislative, institutional and financial measures.

4. Economy of the regions

The economic performance and regional competitiveness are important factors of the development of regions. A competitive region is attractive (attracts investments, knowledge and its characteristic feature is the location of companies and immigration).

a) Gross domestic product

The basic indicator for comparison of regional competitiveness and socio-economic level of regions is the gross domestic product, which represents the value of goods and services produced in the given region.

Table No.1 Regional GDP in constant prices., 1995=100 %

Region	2000	2001	2002	2003	2004	Average growth rate 1996-2004
Prague	122.8	134.0	130.8	129.8	136.4	4.0
Central Bohemian	119.1	121.5	125.6	128.4	133.5	3.7
South Bohemian	106.5	105.0	111.7	114.5	119.1	2.1
Píseň	104.4	105.6	104.4	110.4	114.5	1.6
Karlovy Vary	94.5	91.4	96.8	100.2	102.0	0.3
Ústí	92.1	89.7	91.5	97.8	103.1	0.3
Liberec	106.2	107.1	112.0	110.8	114.4	1.6
Hradec Králové	108.9	108.0	113.4	119.3	122.1	2.5
Pardubice	104.0	103.9	107.3	114.1	118.7	2.1
Vysočina	108.9	113.4	111.5	115.8	122.1	2.6
South Moravian	103.7	106.6	110.8	115.5	121.0	2.3
Olomouc	102.1	101.8	106.5	111.0	116.4	1.8
Zlín	98.9	100.1	98.7	107.2	110.6	1.2
Moravian-Silesian	96.1	97.2	98.8	104.1	112.4	1.4
Czech Republic	107.5	110.3	112.0	115.5	121.0	2.3

Source: Czech Statistical Office, Regional Accounts 2004

As regards accumulated change of GDP, the regions can be divided into the following categories:

Regions whose GDP increase significantly exceeds the GDP increase in the Czech Republic.

The greatest dynamic in the period under review has been demonstrated by the capital city of Prague, whose increase of performance was equal to nearly twice the value for the Czech Republic. The metropolitan character of the region with a markedly different economic structure allows for significant acceleration of growth, which can continue even in the next period. The remarkable development of Prague has a positive impact on the neighbouring Central Bohemian Region, particularly because Prague has no greater reserves of a territory suitable for further extensive expansion, the prices of labour and lands in Prague differ from those in the Central Bohemian Region, some improvement of infrastructure in Prague's surroundings may have an impact on de-concentration of investments and capital and the opening of a new transport corridor could result in a further increase of the number of commuters to Prague. The Central Bohemian Region, whose performance used to be adversely affected for a long time by Prague, has been profiting now from the dynamic development of Prague. In the period under review, the increase of GDP in the Central Bohemian region following closely Prague. Particularly the district neighbouring with Prague are becoming attractive for migrants from the whole Czech Republic.

Regions whose GDP increase is comparable with the GDP increase of the Czech Republic.

The dynamic of most of the other regions correlates closely to the dynamic of the Czech Republic. Despite this, it is possible to distinguish two groups of regions. The first group is comprised of those whose dynamic is by several points higher; this group includes Vysočina and Hradec Králové Region. The South Moravian and the South Bohemian Region keep the average rate of the Czech Republic. On the other hand, the Regions of Plzeň, Liberec and Pardubice may be placed in the group of regions with slower growth rate. In the last monitored year, Olomouc Region and the Moravian-Silesian Region became to overcome stagnating tendencies.

Regions whose GDP increase is significantly below the average of the Czech Republic.

The lowest long-term dynamic has been demonstrated by the Regions of Karlovy Vary and Ústí. The crisis of these regions is also reflected in the average growth rate of these regions within the period under review, beginning with 1995, when the growth rate of these regions had been negative until 2001. These regions have been undergoing a deep social and economic restructuring, which has not yet been completed. The data for the years 2002-2004 indicate, however, a potential acceleration of growth even in these regions. Together with the Moravian-Silesian Region and Zlín Region, which can be described as stagnant (with the average annual growth rate of less than 1.5%), these regions belong to a group characterized by insufficient economic growth of the whole regions or of some of their parts, accompanied by negative employment tendencies. Their unemployment rate is much higher than the average of the Czech Republic. These regions are distinguished by the concentration of structurally affected areas and a part of economically weak areas of the Czech Republic.

Table No. 2 Regional GDP per cap. Czech Republic = 100 (in %)

Region	2000	2001	2002	2003	2004
Prague	199.4	210.9	206.5	203.1	201.8
Central Bohemian	97.8	95.9	96.3	94.9	93.6
South Bohemian	89.3	86.7	90.6	89.8	89.0
Plzeň	95.3	94.3	91.5	93.4	92.6
Karlovy Vary	83.0	78.8	81.5	80.7	79.9
Ústí	83.4	80.6	81.3	83.2	84.5
Liberec	86.1	84.2	86.5	82.2	81.5
Hradec Králové	91.3	88.4	90.8	91.9	90.2
Pardubice	85.5	83.4	84.4	85.5	85.1
Vysočina	88.6	91.8	87.1	86.3	86.5
South Moravian	90.2	90.3	92.9	93.8	93.9
Olomouc	77.7	75.6	77.2	77.9	78.0
Zlín	84.3	83.1	80.1	82.8	82.2
Moravian-Silesian	78.0	77.6	77.9	78.7	82.1
Prague	100	100	100	100	100

Source: Czech Statistical Office, Regional Accounts 2004

The above table offers a possibility to compare shares of the per capita GDP generated in individual regions with the average per capita GDP of the Czech Republic. Differences in the GDP growth rate in individual regions were also reflected in the changes of the performance ratio of individual regions as compared to the performance ratio of the whole country. If we leave aside the Prague phenomenon, the leading place among regions whose performance has been improving since 2000, i.e. where the gap between the performance of the region and of the whole country has been diminishing, is held by the South Bohemian Region, where the difference was reduced by more than 3.5% in 2000 – 2004. A slight improvement has been demonstrated by the Ústí, Olomouc and the Moravian-Silesian Region.

An important parameter for international comparison and namely for the determination of eligibility for aid provided through the EU cohesion policy is the regional per capita GDP restated to the purchasing power parity. NUTS 2 regions which do not reach 75% of the EU Member States are eligible for aid provided through the main cohesion policy objective. The allocation amount is also subsequently derived directly from the amount of the difference between the performance of the region and EU average.

Except for Prague, all other cohesion regions meet the condition for being included into the Convergence objective (the main objective of the cohesion policy for the next programming period with the greatest volume of allocated sources) in the years 2007 - 2013. It can be realistically expected, however, that this limit will be exceeded after 2013 by the Central Bohemian and Southeast regions and the Southwest region will come close to it.

b) Unemployment

In 1993 – 1996, the general unemployment rate in the Czech Republic fluctuated (was) around 4%. Later on, it began to grow and reached its peak figures in 1999 and 2000, when it was doubled (8.8% in 2000). Then, it fell slightly but has begun to grow again since 2003 and fluctuates now around 9%.

The most problematic region as regards unemployment is the Ústí Region, where the unemployment rate has tripled in the period under review. The development in individual regions (kraje) (NUTS 3) differs and does not copy the development of unemployment rate in the whole country. The differences among regions had deepened until 1998; since 1999, they have rather oscillated. In the last years, the most problematic regions (Ústí, the Moravian-Silesian and the Olomouc Region) have been joined by the Region of Karlovy Vary.

The regional differences in the unemployment rate are much higher in districts than in regions (since the “statistical average” effect does not operate here). The differences among districts increased and the territorial division of unemployment changed significantly in the monitored period of 1993-2004. These changes include territorial concentration of unemployment in the district that have been most heavily affected by it in the long run - Most, Teplice, Chomutov, Karviná, Jeseník and Bruntál.

Minimum or permanently less than average unemployment rate can be found in direct neighbourhood of the development poles of growth (Prague, Mladá Boleslav, Brno) and basic development axes (Prague-Plzeň-South-Domažlice, Prague-České Budějovice, or even Prague-Brno (along the D1 motorway)). All other Bohemian territory fluctuates around the average unemployment rate in the whole country (8%). While the unemployment rate in the majority of Bohemian districts ranges between 6.4%-9.4%, the unemployment rate in the majority of Moravian district ranges between 9.4%-15.4%.

The risk of unemployment is markedly differentiated socially by age and level of education. The most affected age categories are the 15-19 years old and 20-24 years old economically active persons (6 out of 10 economically active persons between 15 and 24 years of age are outside the labour market). The situation of age groups of 30-34 years and 45-49 years has improved in the Czech Republic in the last years; on the other hand, the situation of the age categories before the retirement age (50-54 and 55-59 years) has deteriorated. The persons who are most affected by unemployment are those with basic education or vocational training (without the general certificate of education), whose position at the labour market has been steadily deteriorating. The unemployment rate of secondary school graduates is more or less stable but has recently somewhat deteriorated. Among those graduates, the chances of men to find a job are not markedly different from the chances of women. A steadily lowest unemployment rate exists among university graduates; there are virtually no differences in the unemployment rate between male and female university graduates.

The share of the long-term unemployed, i.e. of people who have been unemployed for more than a year, has been increasing significantly in the last years (52.7% in 2004); the same applies to the average length of unemployment (24.5 months in 2004). Long-term unemployment is concentrated into a relatively small number of districts (Most, Teplice, Chomutov, Ostrava-Město and Karviná).

The number of job applicants per one vacancy has been reduced slightly in the past two years. The highest of them still exist in structurally affected regions. While the value of this indicator in the Czech Republic amounted in the first half of 2005 9.5 applicants per one vacancy, it reached more than 50 applicants per one vacancy in the districts of Karviná, Most and Bruntál.

It can be said in general that the unemployment indicates insufficient use of the potential of the regions.

5) Regional structure of the Czech Republic and the diversification policy

a) Main regional disparities

Due to the difference in factors affecting the regional development and depending on various basic conditions, the location and degree of urbanization of the of the Czech Republic, the development of the regions has been characterised by different dynamic and different changes of their territorial economic structure.

The comparison of main regional development factors reflects a **tendency towards deepening of inter-regional disparities**, which can be characterized as follows:

- relatively significant deepening of differences in the economic performance of the regions in a number of indicators which are decisive for the living standard of the population (the per capita GDP, average wages, unemployment, etc.),
- marked differences in unemployment rate and per capita earnings existing among districts,
- the unemployment rate in regions affected by the necessity of extensive industrial restructuring (particularly in the Region of Ústí and in the Moravian-Silesian Region)

is still high and the necessary structural transformation are not sufficiently quickly implemented,

- the disadvantages of rural areas as compared to urban areas have been depending and the municipalities in rural areas suffer from unfavourable business conditions and ageing of the rural population,
- the economic level of a number of border district lag behind the rest of the country,
- the connection of north-eastern Moravia and Silesia to trans-European communication routes and to the capital is still insufficient, which contributes significantly to lack of interest of investors, particularly foreign, in this territory,
- there are differences in the share of university graduates between the two largest cities (Prague and Brno) and the other regional cities,
- the environmental damage caused by past industrial activities in north-western Bohemia and northern Moravia and by the development of automobile transport in Prague and other large cities has not been overcome yet.

b) Typology of the regional structure

The orientation of the regional policy to specific types of territorial units stems from the typology of regions, which is based on the following criteria:

- economic activity of the region,
- long-term socio-economic development and extent of concentration of activities
- geographic location

Developing, stagnating regions and regions lagging behind

1. Developing regions: This group includes Prague as the most dynamically developing region, which represents a significant link in the hierarchy of central European metropolises and fulfils supra-national functions. It also includes the Central Bohemian Region, which has a significant growth potential relating to the location of Prague in its centre. The inclusion of the Plzeň Region is based on the successful job creation process in the newly developing zones and enterprises. The South Moravian Region can be placed in this group particularly due to the dominant position of the Brno conurbation,; at the same time, this region manifests certain weaknesses, particularly in its southern and south-eastern parts.

2. The regions with average or lower growth rate include the South Bohemian Region, the Regions of Hradec Králové, Pardubice, Vysočina, Zlín and Liberec, which demonstrate very good results in certain indicators (mainly their central conurbations), but fail to reach the average of the Czech Republic in many other indicators. The problem faced by some of these regions lies in particular in poor transport accessibility (the South Bohemian and the Zlín Region); all of these regions then suffer from the existence and poor accessibility of remote (peripheral) rural areas. Vysočina is a new region established in less favourable natural conditions on the border between Bohemia and Moravia. The territory of this region is comprised of areas lacking significant industrial traditions, except the regional centre Jihlava, and has a generally rural character. Its hidden tourism potential has not been sufficiently utilized yet. Another adverse factor in this region is the downsizing of agricultural production. However, this region has recently begun to show symptoms of growth as well.

3. Regions lagging behind and other problematic regions: the Regions of Karlovy Vary, Olomouc, Ústí and the Moravian-Silesian Region. The basic problem of the Region of

Karlovy Vary is its remoteness and low level of transport connection with other centres in the Czech Republic. This problem is not outweighed even by the neighbourhood with the Federal Republic of Germany, which has a positive effect in the other cases. Another problem is the inherent heterogeneous nature of the Region of Karlovy Vary, which is comprised of spa district and of districts which have been significantly affected by restructuring, like the district of Sokolov. The economy of the region has been affected by restructuring of industrial production, which has been reflected in the growing lag of the region behind average wages in the other regions. This region is one of the regions with younger population; however, the limited offer of secondary schools is reflected in low education level of its inhabitants, which is below the average of the Czech Republic. Due to the above problems, the region has to cope with very low GDP growth, compared with the other regions.

The Moravian-Silesian Region and the Region of Ústí have to cope mostly with problems relating to the downsizing of formerly dominating industrial branches and the problems caused by it, like the high unemployment rate, existence of pathological social phenomena or outflow of young and skilled workforce. The problems in the Region of Olomouc, however similar to the problems of the above regions, have different causes. The basic causes of the current situation of the Region of Olomouc include its marked internal heterogeneous nature, the existence of remote peripheral districts in its northern part and insufficient use of its growth potential offered by its regional centre characterised by the high level of education of its inhabitants, the prevailing rural nature and the long-term low level of development of some parts of its territory, which are mostly agriculture-oriented.

c) Poles of growth and development axes

Beside production indicators, the long-term socio-economic development of regions is affected by the overall structure of production and manufacturing capacities, by innovation characteristics, labour force quality and last but not least also by the settlement structure, because economic growth is closely linked with urbanization.

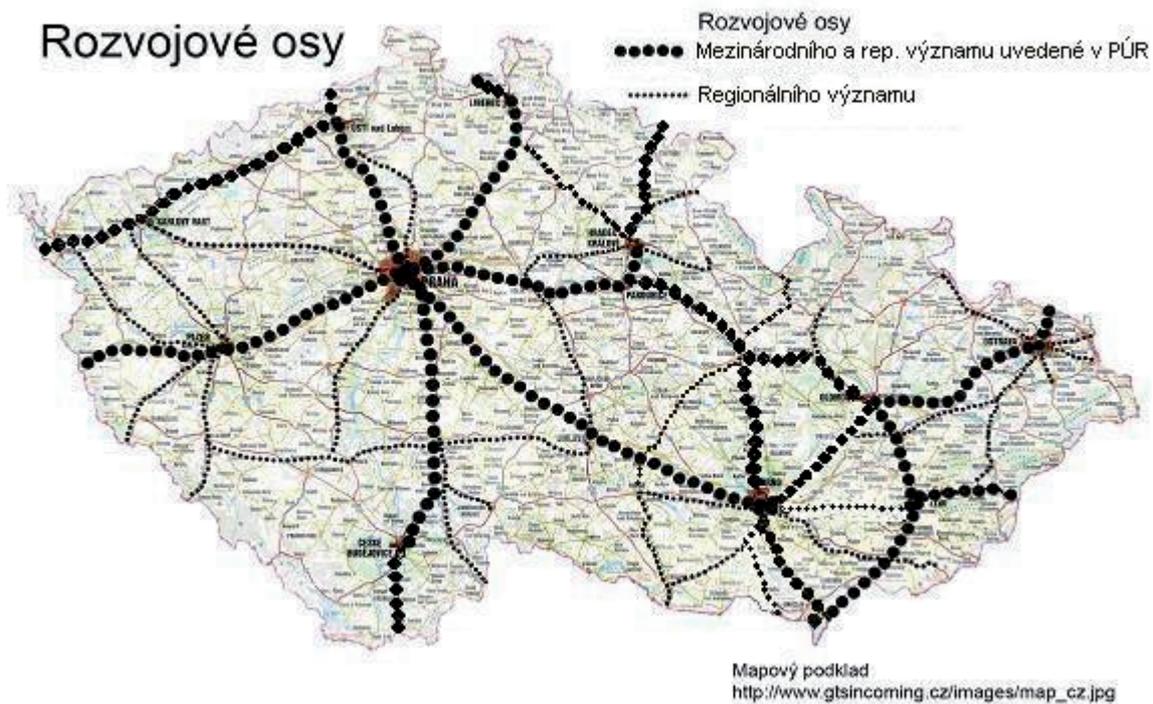
Large conurbations with a diversified structure of economy and existence of industries capable of generating growth in their surroundings create the development poles. The importance of cities as the development poles results from the following factors: the number and growth of the population, the competitiveness and communication connections. Not all cities reach such results in all indicators to play the role of poles; therefore, their influence on their surroundings is limited. The development poles are also characterized at present by their participation in the knowledge-based economy.

The document named “Territorial Development Policy of the Czech Republic”, prepared pursuant to the new Act on Urban Planning, defines the following 12 main development areas of the Czech Republic with significant concentration of activities of the international or national importance: Prague, Ostrava, Brno, Hradec Králové – Pardubice, Plzeň, Ústí nad Labem, Liberec, Olomouc, Zlín, České Budějovice, Jihlava, Karlovy Vary.

These urban centres, which represents the development poles of the Czech Republic, face specific problems which should not be neglected (the European regional policy has also designated a special Urban Community Initiative for the regeneration of cities and resolution of specific urban areas). These problems include, for instance, the transport infrastructure, the quality and capacity of which does not match the growing automobile transport and the related environmental damage, the existence of brownfields and non-optimum functional

utilization of the territory, global housing problems (regeneration of prefab housing projects), lack of greenery, etc.

The “Territorial Development Policy of the Czech Republic” also defines **the development axes of international and national significance** (a total of 11). They have been defined by the administrative districts of municipalities with extended powers which have significant links to major transport routes. With regard to regional development, the development axes can be characterized as channels spreading socio-economic growth from the poles to their surroundings. These development axes have to be universally supported, particularly by high quality transport and communication infrastructure to ensure the dissemination of growth, innovation and competitiveness. The promotion of the development axes, focused particularly on spreading of positive effects emanating from the centre, prevents some undesirable effects, like migration of labour force (which is selective as to age and skills), concentration of negative environmental impacts in centres, increased competition of enterprises located in the centres, etc. The following map shows the development axes, as transposed from the “Territorial Development Policy of the Czech Republic”, i.e. the axes of international and national significance, which are supplemented with lower-level axes of regional importance, which help illustrate the needs of the territorially focused operation of some development programmes,. However, the specific determination of regional axes is carried out by the regions in their spatial planning documentation.



[Legenda: Development Axes

Development axes of international and national significance shown in the Territorial Development Policy of regional significance

Map source:]

d) Rural areas, regions located outside the development axes and peripheral regions

The regions without significant development poles or development axes have lower economic performance and face a number of development barriers, like rural settlement, absence of technical (transport, communications) infrastructure, unfavourable age and education structure of the population and others. These are mainly rural areas.

The common problem of rural regions is the lack of job opportunities, insufficient technical infrastructure and level of services and last but not least also the adverse age and educational structure of the population. The existing concept of rural regions reflects the settlement structure rather than the economic performance of the territory. The distance of the region from the main centres of the countries or from large markets has a decisive effect on its development potential. The inaccessibility of regionally disadvantages territories represents a barrier to their development in a similar way in which the central location of the region represents a significant potential.

The Czech Republic has about three types of rural areas, each of which is characterised by different trends. This difference results from their distance from urban areas.

- Rural areas surrounding large cities (the suburban rural areas), which are affected by suburbanization and witness a significant population increase, affecting their development and particularly their investment priorities. The population works mostly in production and services and commutes to the catchment cities; however, most of the lands are use for agriculture. The urbanization pressure has its requirements regarding the territorial structure and protection of the natural environment.
- Rural areas characterized by average development and located at a greater distance from large settlement centres (semi-remote rural areas), but with good transport connection and relatively available infrastructure. These areas have stable population and undergo an economic diversification process. Such easily accessible rural areas have a potential to become the recreational background for urban areas, which has a specific impact on their needs. It is necessary to preserve their economic potential, to increase, to increase the pace of their economic diversification and to strengthen their relations to medium-sized and small cities.
- Peripheral rural areas, which are scarcely populated, isolated from catchment cities and main transport network (remote rural areas). Such areas can be found in the Czech Republic at the level of districts and micro-regions and include, in particular, the border and mountainous regions in the north-eastern part of the country. With regard to the size of the Czech Republic, it is not the absolute distance from the centre (Prague) and from the leading export countries (FRG), even though this factor plays its role, but rather the fast transport possibilities, particularly the motorway and expressway networks, which matter in this respect. The most serious problems of the peripheral regions are caused by insufficient transport connection to the regional centres, which causes problems with commuting to work. Their remoteness contributes to the preservation of higher than average unemployment rate, to the low level of income of their inhabitants and of the basic services and to the overall stagnation of economic activities in their territory, which is not compensated to the full extent by income from tourism and agriculture. Peripheral regions suffer from lack of interest of investors, who do not locate there any new manufacturing facilities.

Due to their distance from the development centres, **border areas** used to be peripheral regions for a long time. Their distance from the development centres, particularly from Prague, represented one of the barriers of their development.

The entry to the EU has opened new relations to the areas of the neighbouring countries across the border and their centres. The prerequisite for such integrated development is the removal of border barriers (for instance, the enlargement of the Schengen area), of infrastructural barriers (construction of cross-border roads ensuring the accessibility of future common centres of the cross-border area from both sides of the border, IT networks, etc.) and also of barriers resulting from the historical development accompanied by national and other conflicts, the language barriers and others.

The elimination of these barriers will contribute to the development of the endogenous potential of these area, which results mainly from the physical-geographic characteristics (border mountains, natural wealth – existence of national parks, etc.) and from the socio-cultural features (long-term blending of cultures, nations, traditions and the resulting specifics) of cross-border areas. This constitutes the basis for current development of economic sectors, like tourism. Another unused potential is represented by the development of higher education and research in cross-border areas and their centres and the related development of human capital.

6. Summary evaluation of regional problems and development prerequisites

The analysis of the main regional development factors indicates that, as regards the strengths, one of real strengths of the regional development in the Czech Republic continues to be the skilled and still relatively cheap labour force. At the same time, it has gradually appeared that, due to the development of new business activities in some parts of the regions, related to the influx of foreign investment, certain types of labour force (possessing certain skills) have become in short supply in these regions.

Other major strengths include the **development of manufacturing capacities in connection with direct foreign investments**, as indicated above, which is connected with an actual large offer of areas for the development of business in the regions. This development creates prerequisites for the establishment of new ties with local businesses and for future penetration of these businesses into foreign markets. This can be also identified as one of the causes of the dynamic development of small and medium-sized enterprises in the Czech Republic.

Traditional strengths of the regional development can be identified in areas with cultural heritage or natural potential, which exist in various regions in the Czech Republic.

Weaknesses can be divided into several basic problem categories. First, there are weaknesses which continue to hinder, by their nature, the development of business activities, like complications connected with the very start-up of these activities. Secondly, there are weaknesses connected with shortcomings in various sector of infrastructure, like transport and communications. The third category of weaknesses is connection with the operation of the labour market, for instance, low mobility of the labour force, housing problems, etc. A specific problem of this part of the SWOT analysis is represented by the generally low level of promotion of research and science, of the cooperation between research institutions and businesses and of the knowledge-based economy in general.

7. Strategic framework

The strategic framework of the regional development of the Czech Republic after 2006 declares the following:

where, at which level the Czech Republic, as a Member State of the European Union, and its regions are currently positioned as compared with the other developed EU Member States,

the vision which the Czech Republic would like to achieve in the next years by the implementation of its regional development strategy,

which global objective the Czech has been set with regard to the implementation of the development vision,

on what ground this objective is to be fulfilled – the main development tendencies, what has to be considered as the main pillars on which the regional development in the Czech Republic will rely, which priorities of the regional strategy of the Czech Republic will pre-determine the nature and intensity of its regional development.

a)

Until 2013, the Czech Republic intends to be

an active country with good economic performance, competitive, with good quality environment, which will reach, in accordance with the sustainable development principles, the standards of the European Union in all basic criteria (the level of knowledge-based economy, per capita GDP, employment, social security, etc.) and will provide for increasing quality of life of its population.

At the same time

- the regional disparities will be significantly alleviated and the number of cohesion regions with economic power and growth rate reaching the EU average will grow,
- at least a minimum development potential in all micro-regions will be ensured in the field of infrastructure and other components forming the living conditions for their inhabitants,
- the share of active and innovative population in regions will increase.

The regional development strategy endeavours to promote the principles of long-term sustainable development, utilizing all positive development potential of the Czech Republic. For this purpose, the Czech Republic and its regions will activate all internal utilisable resources of municipalities, regions and the state and will use solidary sources of the Communities, particularly during the implementation of its cohesion policy for the years 2007 - 2013.

Sustainable development will mean the development based on stable economic growth with thoughtful use of natural sources and reduction of their specific consumption, respecting cultural and social needs of the population and efficient environmental protection and the development promoting the learning and self-organization process subject to environmental, economic and social limits of the global society.

The overall concept of the strategy forms the basic framework of the implementation of the regional policy of the Czech Republic as an independent national regional policy of an EU

Member State and as an integral part of the regional policy of the European Union, and these aspects must be mutually complementary.

The regional policy of the Czech Republic provides for the harmonization of the strategic objectives of the regional development of the European Union with the strategic objectives of the regional development of the Czech Republic and with own interests and needs of individual regions (NUTS 3 and 2). It must also facilitate efficient combination of utilisable sources of municipalities or their associations, of regions, the state and the EU funds, which may be activated, with domestic and foreign resources of private investors. This purpose will be implemented through active inter-regional (particularly cross-border) cooperation and the cooperation of the state with Member States of the European Union.

b) Global objective and its structure

The global objective that has been set for the purpose of implementation of the vision in compliance with the five main principles and ten key processes of the regional development set forth in the first part of the document specifies the following basic direction of the long-term development of regions in the Czech Republic:

- **a balanced, harmonious and sustainable development of regions, which will lead to an increase of the quality of life of the population.**

This global objective is comprised of three strategic objectives:

the development-oriented objective represented by an increase of economic and environmental potential, competitiveness and social level of regions in the Czech Republic to a level comparable with developed regions of Europe,

the disparity-oriented objective focused on stopping the growth and gradual diminishing of excessive regional disparities and utilization of territorial specifics,

the instrumental objective focused on institutional and financial safeguards of the strategy.

The development-oriented objective focused on the achievement of an economic, social and cultural level of the regions of the Czech Republic which will be comparable with the developed regions in Europe reflects the strategic objectives of the regional policy of the Czech Republic, which respect the objectives of the Czech Republic Strategy for Sustainable Development and the Economic Growth Strategy of the Czech Republic. A major part of its implementation will be funded out of the financial sources of the cohesion policy. It is addressed to all regions of the Czech Republic and expresses, in relation to the European Union, the disparity in their development level, measured by per capital GDP compared with the average of the Member States. Interventions made within this objective should give priority to the improvement of the institutional environment for the implementation of the regional policy, to the initiation of active growth-promoting policy in regions, stimulating business activities, implementation of innovations and increased competitiveness of regional players at the national and the European market, mobilization of the human factor, increased employment and social cohesion, improvement of infrastructure, environmental protection and sustainable development.

This means, in direct relation to the growth, the promotion of business, investments and exports. The promotion of business activities means in this respect a general increase of the quality of the business environment and direct support to small and medium-sized

enterprises. With regard to the role that is played now by SME in the Czech economy, the objective is not focused on support of any kind of business, but preferably of innovative activities with higher added value. The existing support of foreign investments has indisputably its importance; however, the aim is to spread these impulses into other regions, which means, in practice, also the support of domestic investments.

Another objective is the achievement of the maximum possible utilization of the production potential of the region, which ceased to be focused a long time ago on continuing exploitation of natural resources, but is rather concentrated on their cultivation for the purpose of increasing the quality of life of the population in the region and of the development of tourism.

The main potential of the regions is the human factor –skilled, enterprising and independent human beings capable of flexible adaptation to the changing conditions. Even though the vision of such population is a long-term objective, the investments into human capital represent the key current investments, provided that they are correctly focused and utilized. This concerns not only the increase of the level of education and science, but focusing of both these aspects on the preparation of active and pro-innovative population and business.

An integral part of the proposed measures is the maximum reduction of unemployment. Science, technical progress and innovations result, among others, to savings of the workforce. Therefore, the development objectives of the strategy also include creation of new jobs, which will be attractive and can be utilized by idle workforce (including people encountering difficulties in finding a job).

The above objective and growth-promoting measures would encounter sooner or later the sustainable development limits. Therefore, the objectives also include the development of transport infrastructure, further improvement of the environment and also a well-planned development of the settlement structure, housing and cultural heritage, including all their Czech specifics.

The disparity-focused objective, which is directed at the reduction of undesirable regional disparities and at the development of specific problem territories, reflects the focus of the internal regional policy of the Czech Republic on urgent problems of its regional development. These problems are represented by distinctive regional disparities (undesirable inter-regional differences or marked deviations from the average values of the Czech Republic), can be identified by territory and operate or will likely operate against balanced regional development of the Czech Republic. This objective will also be implemented with a significant contribution from the financial funds of the cohesion policy. The proposed measures are addressed to regions with concentrated state aid and to territories facing specific problems. The relevant interventions are to be directed towards modernization and diversification of the economic structure of structurally affected regions, the increase of economic performance of regions with weak economy, towards the development of the labour market in regions with excessively high unemployment, the resolution of specific problems of cities, conurbations and territories located on the development axes and towards the enhancement of rural areas and peripheral regions located outside the development axes.

The disparity-focused objective respects the fact that despite the disparities existing among the regions (which appear relatively small in the international context) and thus despite the relatively great cohesion of the regions, these disparities have been deepening with the progress of de-aggregation (of regions, districts or otherwise defined micro-regions), as well as with the passage of time.

This results from two factors. The first of them is the delayed effect of some transformation costs (in structurally affected regions). Secondly, it has been confirmed indirectly that

although the existing regional policy mitigated the regional transformation costs, it did not manage to fully prevent growing disparities. This concerns not only regions affected specifically by industrial restructuring, but also rural and peripheral regions.

These regions require special attention of the state and their list has been traditionally announced by the Czech Republic Government. Such regions require concentrated public support, taking into account their specifics, including possible utilization of their potential. In other words, these regions require steps towards minimizing negative comparative advantages and support of positive advantages. Such steps cannot be taken without close cooperation with regional authorities.

The instrumental objective respects the fact that the fulfilment of the above global objectives depends on an effectively functioning public administration, its sufficient administrative capacity (not as regards the number of staff but rather its skills) to cope with the implementation of the development objective, on the absorption capacity of subsidies provided by the Structural Funds, on the involvement of the state in the field of consultation and simplification of the agenda relating to the administrative preparation of project, and finally, on the provision of funding subject to the compliance with the general terms, which include:

- co-financing and additionality principles,
- rules of public aid,
- updating and creation of regional strategies.

Other conditions include:

- e-government at all public administration levels,
- reduction of the high staff turnover in public administration,
- enhancement of administrative capacities in regions,
- simplifying administrative measures for the business sector.

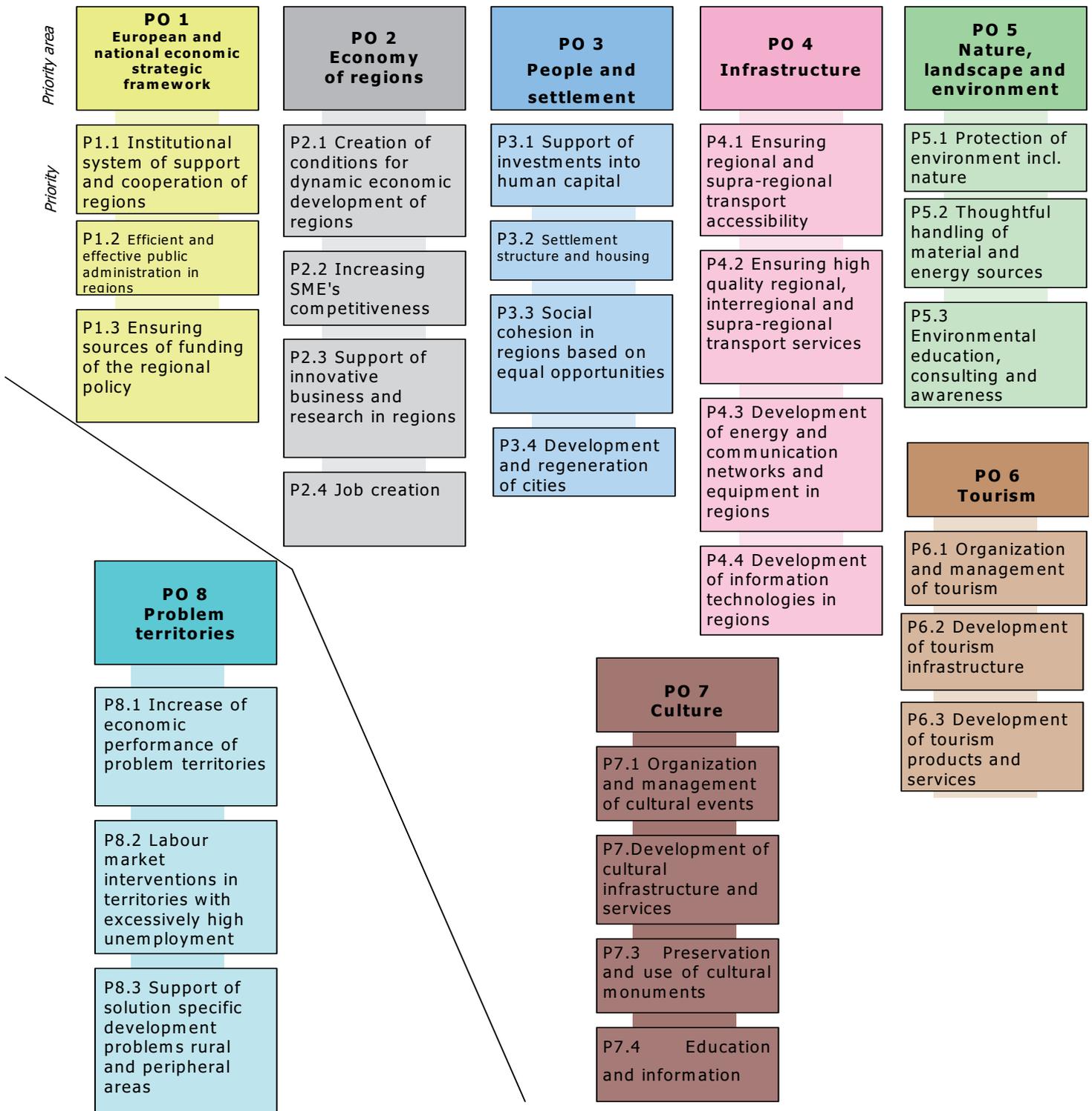
All of the three above-mentioned strategic objectives will be implemented through thematically focused priorities and measures divided by their objective content into eight priority areas, which will become the basic pillars of their implementation.

c) Structure of priority areas and of the priorities of the Regional Development Strategy

The objective of the strategy lies in formulating the themes and aspects that play an important role in the promotion of regional development and in the incorporation of the regional dimension in individual sectoral policies where it is useful and necessary. Therefore, the strategy does not deal with all sectoral problems. Thus, the regional development strategy represents a strategic orientation for future regional development programmes, whether implemented at the central or regional level or with or without financial aid of the European Union. A relation between the Strategy and programming documents of the structural funds exists in the development activities, priorities and measures the support of which is permitted by the relevant regulations on individual structural funds and in activities that can be used in a differentiable manner in support of a balanced regional development of the Czech

Republic. **Thus, the Regional Development Strategy is not a direct basis for distribution of means from the structural funds, but a basic document for the preparation of regional development programmes (Section 6 of Act on Promotion of Regional Development) and for the formulation of regional approaches of sectoral and policies and programmes, including the operational programmes of the structural funds.** Due to the foregoing, the scope and focus of individual preferred areas and priorities is specified to a broader extent than in the National Development Programme and the National Strategic Reference Framework for the preparation of the operational programmes.

priority axis



d) Ensuring (implementation) of the strategy

Current experience indicates that the regional policy, as defined above, complies with the principles of EU policy; however, for a number of reasons, it is still somewhat underestimated in the Czech Republic. The causes may be summarized in several points:

- accentuation of partial interests of individual ministries to the detriment of mutual coordination of activities towards regions,
- larger or smaller scale rivalry among the central, regional and local administration,
- underrating the regional dimension of social and economic life.

The practical consequence of these causes includes, among others, the fact that the public aid policy accentuates excessively on the one hand the sectoral (“blanket”) dimension and suppresses the regional dimension. In this respect, however, the correct setup of the instruments should not provide a competitive but a complementary view. Therefore, the sectoral approach must be enriched (supplemented), beside specific regionally focused programmes, with the regional superstructure. This is evident, for instance, in the policy of support and enterprise. The “blanket” aid policy is in place and any effective business plan is welcome; however, priority may and must be given to plans which help resolve at the same time the regional disparities (for instance, a higher unemployment rate) or expand the regional potential (e.g. tourism).

e) Organizational and institutional safeguards

The framework of the organizational and institutional safeguards of the implementation of the regional development strategy is defined by Act No. 248/2000 Coll. on Promotion of Regional Development.

Basic regional development levels

The role of the state consists in the conceptual, programming and executive activity of the executive components of the state in the field of regional policy and support of the regional development, including the procurement of funds from the state budget and adequate legislative measures.

The role of the regions (kraj) consists in the conceptual, programming and executive activity of the self-government bodies of the regions in the field of regional development. The bodies which form the basic structural unit of the creation and implementation of regional development in the Czech Republic coordinate the development of their respective territorial areas, cooperate with central state administration authorities and coordinate the interests of municipalities in regional development matters beyond the municipal level.

The role of the municipalities consists in the conceptual, programming and executive activity of the self-government bodies of the municipalities in the field of local development, their incentives concerning the solution of problems exceeding the municipal level and their participation in the implementation of regional programmes.

f) Main participants in the regional development

Ministry for Regional Development

Coordinates the activities of the other ministries in safeguarding the national regional policy and cooperates with them in the preparation of drafts of the strategy and of the national regional development programmes. In addition to the foregoing, it is responsible for the

coordination of important activities concerning the economic and social cohesion policy and for other policies falling within its competencies (housing policy and tourism), which also affect regional development.

Other ministries

Support of the regional development has a cross-sectional, multi-sectoral nature. The competencies of nearly all ministries include activities which affect more or less the regional development issues, have an impact on the development of individual territorial units and may lead to the reduction or to the occurrence of regional disparities.

The Regional Development Strategy has been conceived as a horizontal strategy, which uses in the effective development of regions, beside their endogenous potential, also individual sectors of the national economy and proposes differentiated ways in which their activities may influence regional development.

To safeguard the implementation of the Regional Development Strategy, the competent ministries (Ministry of Industry and Trade, Ministry of Labour and Social Affairs, Ministry of Agriculture, Ministry of the Environment, Ministry of Education, Youth and Sports, Ministry of Transport, Ministry of Culture, Ministry of Health, Ministry of Informatics, Ministry of the Interior and Ministry for Regional Development) will carry on, in sectors and areas covered by their respective competencies, the following activities in the next planning period 2007 – 2013:

- analyze and evaluate every year regional differences in sectors falling within their competencies, and will identify regional disparities (see Section 11 of Act No. 248/2000 Coll. on Promotion of Regional Development, as amended),
- cooperate with the Ministry in the preparation of evaluation reports concerning the implementation of the Regional Development Strategy,
- incorporate regional approaches in their policies and concepts relating to the implementation of the objectives of the Regional Development Strategy,
- apply regional differentiation of incentives in operational and ministerial programmes with the aim of reducing undesirable regional disparities and strengthening of the development potential of regions with concentrated state aid,
- implement measures to support territories requiring specific support defined in chapter 5.3.

Regions (kraje)

Coordinate within their independent competencies the development of their territorial areas and arrange for the processing, implementation and control of the performance of the strategic development of the region (leading to sustainable development) and the fulfilment of the development programmes of the region. Furthermore, they evaluate the intra-regional development level, provide loans to municipalities and other legal entities operating within the region, establish legal entities for the purpose of support of the regional development, e.g. regional development agencies, cooperate in the performance of the national tasks of promotion of the regional development and prepare, implement and control the implementation of the regional operational programmes and regional support programmes, for instance, the programme of renewal of rural areas. For the implementation of the partnership principle at the regional level, the regions will coordinate plans of municipalities or associations of municipalities in matters of support of the regional development going beyond the municipal level. Promote the establishment and ensure the existence of

partnerships among public administration, the business sphere and non-state non-profit organizations in the regions.

In addition to their independent powers, the regions were also awarded the “delegated powers” which they have to execute in matters defined by the law (particularly by Act No. 132/2000 Coll., which stipulates the tasks of regions in a number of state administration areas).

g) Programming safeguards

The development and disparity-focused objectives of the Regional Development Strategy, structured in accordance with partial priority areas into specific priorities, will be implemented through multi-annual development programmes. The planning period of 2007 – 2013 counts on the implementation of the major part of objectives by means of the operational programmes specified in the National Development Plan and the National Strategic Reference Framework (NSRF). The relevant implementing structures (particularly Regional Councils) will be developed in connection with the above. However, it will be impossible to finance some priorities and particularly the related measures from the structural funds. Therefore, they will be also implemented within the “domestic”, i.e. ministerial or regional development programmes.

In this respect, the ministerial and sectoral competencies concerning the implementation of the development activities carried on within the framework of the Regional Development Strategy are divided among competent ministries and regions so that each activity is definitely assigned. The specific division of individual activities is shown in Annex No. 2; however, their assignment to a specific operation programme is only tentative, because the European Commission will approve the numbers and content the operational programmes only by the end of 2006.

The priorities of the Regional Development Strategy are reflected in the operational programmes of the structural funds at several levels:

- **the regional operational programmes**, prepared and implemented by cohesion regions,
- **the integrated operational programme**,
- **the operational programmes prepared by the specialized ministries**, which also respect explicitly the regional dimension of the problem,
- **the operational programmes of cross-border cooperation**,
- **the operational programmes for the objective of regional competitiveness and employment, implemented in NUTS 2 region Prague.**

h) Definition of regions with concentrated state aid

Based on an ongoing analysis of the economic and social development of the state, the Ministry for Regional Development proposes to the government, in cooperation with the other affected central administration authorities, the definition of regions whose development has to be supported with regard to the balanced development of the state and the settlement of differences between levels of its individual territorial units. The types of regions with concentrated state aid are defined in Section 4 of Act No. 248/2000 Col.. on Promotion of Regional Development. This Act recognizes:

a) regions with concentrated state aid, which are divided, in accordance with the nature of their stagnation, into structurally affected regions, economically weak regions and rural regions,

b) the other regions, whose support by the state is desirable for other reasons: e.g. cross-border regions, former military areas, regions affected by natural disasters, regions with heavily affected or damaged environment, regions with less favourable conditions for agricultural development, regions with unemployment rate exceeding the average rate in the Czech Republic.

Beside regions with concentrated state aid, there may be regions supported at the level and under the competencies of kraje.

With regard to available data concerning districts and municipalities with extended powers, the designation of regions supported within the scope of concentrated state aid to problem regions is newly construed, from the systemic and methodological viewpoint, as follows:

the referential level – supported territory - the mezzoregional level, i.e. districts of the Czech Republic, has been preserved,

the evaluation system using indicator weights characterizes (accentuates) two substantial aspects of mezzoregions (districts) i.e. the situation at the labour market and their economic strength.

Since statistical data concerning employment and wages reflecting the situation across territories are no longer available, the following relevant indicators have been applied in this definition:

a summary evaluation of the situation at the labour market (unemployment), including the unemployment rate, long-term unemployment and number of job applicants per one vacancy,

per capita tax income,

number of entrepreneurs per 1000 inhabitants,

purchasing power of the population.

The results of investigation of the distribution of purchasing power of the population are based on a model which processes a large number of data entries from official sources (demographic and educational structure of the population, income level, the employment structure and other economic characteristics, the settlement structure) and on a large-scale primary survey carried out by GfK (including interviews with 16,000 randomly selected households throughout the Czech Republic).

The resulting assessment of the level of districts is represented by a weighed sum of indices characterizing individual indicators calculated as the average of the years 2002 – 2004, except for the purchasing power indicator, which is available for the year 2005, and for older tax yield values, which will be replaced after obtaining new data¹.

With regard to the EU regional policy, which has been concentrated predominantly after 2006 on problems of employment and job creation, and to the informative ability of the “purchasing power” as an indicator of economic strength of the region, the weights used in the presented identification of problem regions are set up as follows:

unemployment:	0.4,
tax income:	0.15,
businessmen:	0.15,
purchasing power:	0.3.

Like in the period prior to 2006, the defined regions include territorial areas of 21 districts and of municipalities with extended powers with the total area equal to 29.4% of the territory of the Czech Republic and with 31.9% of the total population of the Czech Republic.

Based on the evaluation of the current situation of the regions in the Czech Republic, on the objectives of the EU and the Czech Republic for the programming period of 2007 – 2013 and on the availability of indicators:

the regions on which the concentrated state aid will be focused have been defined on the basis of the above indicators only in a single form, i.e. the data regarding structurally affected regions and regions with excessively high unemployment rate were not calculated separately, because the impacts of the basic structural changes in the regions and the high unemployment rate are sufficiently taken care of in the current algorithm used in the calculation and can be affected significantly by weight. Thereafter, the regions with a higher share of mining and heavy industry (Teplice, Most, Chomutov, Sokolov, Ostrava, Karviná, Frýdek-Místek a Nový Jičín) were defined as structurally affected pursuant to Section 4 of Act No. 248/2000 Coll. and the other districts were classified, with regard to the extent of their problems, as economically weak or with high above average unemployment,

the concentrated state aid provided within the framework of the Regional Development Strategy of the Czech Republic has been left mostly at the district level; based on the confrontation with the unemployment rate in territorial areas of municipalities with extended powers (in relation to Act No. 72/2000 Coll. on Investment Incentives, these areas are the territories of the municipalities with extended powers, where the unemployment rate exceeds by 25 or more percent the unemployment rate in the Czech Republic), such territories, except for catchment areas of the municipalities with extended powers which are defined below, are fully covered by the existing definition by districts. The catchment areas of the municipalities with extended powers, which are referred to below, are proposed to be defined as regions with above average unemployment.

i) Focusing the support in structurally affected regions

These regions are characterized by deep structural changes and massive increase of unemployment, which is caused by inadequate structure of skills of the offering party at the labour market, which corresponds to the past economic structure, by inadequate technical and business infrastructure, etc.

Effective support has to be concentrated here, in particular, on:

attracting new business activities,

education, lifelong learning, training,

higher-range technical infrastructure (for companies involved in high-tech, *research*, development of technologies).

All investments and support must be related to the economic performance and utilization of economic potential, of course with the compliance of all further requirements (e.g. sustainable development).

Focusing the support in economically weak regions

Economically weak regions are characterized by low economic performance, connected with low wages, weak economic activity, high unemployment rate, unfavourable geographic location and undeveloped technical infrastructure.

Effective support has to be concentrated here, in particular, on:

investments into education,

development of small and medium-sized enterprises,

construction of technical infrastructure, particularly transport, information and other.

Focusing the support in regions which highly excessive unemployment

These regions usually combine the deficiencies of both previous types. Efficient and effective support in this case is focused particularly on:

local small and medium-sized enterprises and services,

technical infrastructure,

measures aimed at the development of rural areas,

basic social infrastructure,

development of urban areas.

The development of urban areas and the implementation of specific programmes is to be supported by operational programmes funded from the European Regional Development Fund.

The development strategies and support of the development of conurbations, development poles and territories in development axes focus on the resolution of their specific economic, environmental and social problems and on the improvement of their competitiveness. With regard to this, the operational programmes should focus their support, subject to their orientation, on the following areas:

- Development of socio-economic functions of the poles, creation of conditions for development of business activities, industrial parks, logistic centres and state-of-the-art technology zones, measures aiming at the protection and development of historical and cultural heritage, combined with measures

supporting the enterprising spirit of local employment or with the provision of services to the population in accordance with the changing age structure.

- Improvement of physical environment, re-cultivation of former industrial facilities and regeneration of spaces, promotion of transport infrastructure, improvement of condition for housing development.
- Promotion of educational, research and development infrastructure.
- Environmental protection in cities and their surrounding.
- Improvement of the quality of life in urban areas, social integration and services, crime prevention.
- Support of special planning activities in these areas.

j) Development of rural areas

Operational programmes financed from the European Regional Development Fund may also participate in the development of rural areas and in the resolution of their specific problems.

The development strategies and promotion of the development of rural areas will be focused mostly on the economic diversification of these areas and on the improvement of their accessibility. In this respect, the operational programmes should direct their support, in accordance with their respective orientation, into the following areas:

- Strengthening of connection between urban and rural areas, infrastructure for improvement of accessibility.
- Expansion of telecommunications networks and services in rural areas.
- Development of new economic activities except agriculture, creation of conditions for the development of tourism, including ecotourism, support of small businesses, use of local resources, etc. In this respect, the operational programmes should direct their support, in accordance with their respective orientation, into the following areas:
 - the development of facilities and services for the improvement of living conditions and stabilization of the rural population;
 - protection of cultural and natural values of the territory, care of the landscape, preservation of biodiversity, etc.

[Legenda k předchozí tabulce:

Definition of regions with concentrated state aid

Structurally affected regions

Economically weak regions

Region with high above average unemployment

District borders]

Selected government resolutions

a) Government Resolution no. 560/2006 on the Regional Development Strategy of the Czech Republic

T h e G o v e r n m e n t

I. approves

1. the Regional Development Strategy of the Czech Republic, contained in part II of the document ref. no. 745/06 (hereinafter the “Strategy”),

2. the definition of the regions with concentrated state aid for the years 2007 – 2013, listed in the annex to this Resolution;

II. orders

1. the Minister for Regional Development to submit to the Government for review, in two-year intervals beginning with 2009, a report on the implementation of the Strategy, prepared in cooperation with the relevant ministers;

2. Deputy Prime Ministers and to the Minister of Labour and Social Affairs, the Ministers of Industry and Trade, of the Interior, Agriculture, the Environment, Health, Culture, Education, Youth and Sports and Informatics

a) to cooperate with the Minister for Regional Development in the preparation of the evaluation report on the implementation of the Strategy;

b) to assess regional disparities within the sectors for which they are responsible and the contribution of programmes of mitigation of regional disparities, implemented by them,

3. the Deputy Prime Minister and the Minister of Labour and Social Affairs, the Minister of Industry and Trade and the Minister of Education, Youth and Sports to give preference in selected priorities of ministerial and operational programmes to the support provided in defined regions with concentrated state aid;

III. authorizes the Minister for Regional Development to present to the government, in case of major deterioration of social, economic and environmental conditions in a region, a proposal of change of the definition of regions with concentrated state aid;

IV. recommends to commissioners of regions and to the mayor of the capital city of Prague

1. to utilize the Strategy for the elaboration of a sustainable development strategy of the regions (kraje) and of the relevant measures in the regional operational programmes and the aid programmes set forth by the regions (kraje),

2. to assess the development of internal regional disparities in their respective regions and to cooperate with the Minister for Regional Development in the preparation of the report on the implementation of the Strategy.

**b) Definition of regions with concentrated state aid for the years 2007 – 2013
(Annex to the Government Resolution No. 560/2006)**

I. Structurally affected regions are comprised of the territory of the following districts:

Most, Karviná, Chomutov, Teplice, Ostrava-město, Frýdek-Místek, Nový Jičín, Sokolov

II. Economically weak regions are comprised of the territory of the following districts:

Hodonín, Znojmo, Třebíč, Bruntál, Opava, Jeseník, Přerov, Šumperk, Svitavy, Louny, the territory of the former military areas Ralsko and Mladá

**III. Regions with high above average unemployment rate are comprised of the territory of
a) districts:**

Děčín, Ústí nad Labem, Litoměřice

b) municipalities with extended powers

Ostrov, Frýdlant, Králíky, Bystřice n. Pernštejnem, Bučovice, Mikulov, Šternberk, Uničiv, Kroměříž, Rožnov pod Radhoštěm, Valašské Klobouky

c) Transitional aid provided until 2008 to economically weak regions which were not included among the regions with concentrated state aid for the years 2007 to 2013 - Government Resolution No. 829/2006

T h e G o v e r n m e n t

agrees with transitional support of economically weak regions to be provided until 2008, to the regions covering the territory of the following districts

Český Krumlov, Tachov, Rakovník, Vyškov

which were supported until 2006 by the regional programmes of the Ministry for Regional Development and were not classified as regions with concentrated state aid for the years 2007 to 2013.



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