EVALUATION OF NATIONAL DEVELOPMENT PLANS OF THE CZECH REPUBLIC

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ABSTRACT
This paper focuses on the National Development Plans of the Czech Republic, which are fundamental documents defining the strategic orientation of the Czech Republic in the given programming period by European Commission. To this date, two documents have been drafted: one for the incomplete period of 2004–2006 and current programming period of 2007–2013. This thesis does not aim to provide detailed comparison of these two documents; instead it follows development tendencies of each National Development Plan with the emphasis on chosen strategies.

JEL CLASSIFICATION & KEYWORDS
- H00
- R11
- NATIONAL DEVELOPMENT PLAN OF THE CZECH REPUBLIC
- PROGRAMMING PERIOD
- GLOBAL GOAL
- STRATEGIC GOAL
- PRIORITY AXIS
- OPERATIONAL PROGRAMME

INTRODUCTION
On 1st May 2004, Czech Republic became a member of the European Union, which opened ways to draw on significant amounts of financial resources from this community. However, these funds must be used with specific strategic focus and must follow given goals. For this reason, National Development Plans have been created in the Czech Republic defining basic structure for utilising these funds and setting goals that are to be achieved. These basic documents serve as the basis for further important documents that focus on specific uses of the financial resources and capitalise on specific points from the National Development Plans.

National Development Plans of the Czech Republic are the basic strategic documents connected with drawing on financial support from the Structural Funds and the Cohesion Fund of the European Union for the given programming period. In case of the Czech Republic, two such documents have been drafted: one for the incomplete programming period of 2004–2006 and the other for full programming period of 2007–2013. It is only logical that there have been certain changes in focus between these extensive strategic documents for individual periods; these had been caused by several factors. Similarly, there will be further changes in the National Development Plan for the following programming period of 2014–2020.

This paper deals with the comparison of the first two National Development Plans of the Czech Republic. Its goal is not a minute detail comparison of the two documents; the focus is rather on individual development tendencies that can be discovered in these strategic documents. This creates a specific view that shows the existing development of the National Development Plans and exposes certain factors that may be used in the development of the next National Development Plan that is yet to be created.

The paper follows the binding structure of National Development Plans and describes, in logical order, current development of the Czech Republic, it includes a SWOT analysis and deals with selected goals and strategies, with the focus of priority axes and with operational programmes (omitting areas that deal with the management and monitoring of financial help and financial frameworks). The paper uses methods of description and mainly comparison, followed by synthesis that connects relevant and most important findings into one cohesive logical unit creating the final overview of the given issue.

National Development Plans of the Czech Republic
National Development Plans of the Czech Republic (NDP further on) provide, among other things, complex view of the current (in the given period) basic macroeconomic, social and environmental indicators of the whole Czech Republic (the data are divided further on in more detail for individual territorial units for statistics). Provided data serve to induce the basic overview of the situation in which NDP were created. There is only a 3-year gap between the two Czech NDP; for this reason the differences in their basic characteristics are not overly significant.

Macroeconomic analyses and progresses were based on favourable data (which were used for future time periods as well), thus both documents have positive prognoses. During both NDP, real GDP saw long-term growth (over 3% per year before the programming period of 2004–2006, and 4% per year before the programming period of 2007–2013), price index development was stable around 2%, exchange rate development of the CZK to major world currencies saw a long-term appreciation, and unemployment rate was stable at 8%. Another favourable aspect was the high influx of direct foreign investments in the Czech Republic. One negative aspect, on the other hand, indicated in both NDP, was the tendency of deficit public budgets accompanied by a high growth rate of the public debt.

Both National Development Plans include other indicators that describe the then-current development in the areas such as economic structure, social situation, human resources, education, agriculture and countryside, the environment, transport and regional development. These parts are extensive in both of the NDP. In the end, all provided information is summarised and analysed in SWOT analysis, which is described in detail in the next chapter.

SWOT Analysis
SWOT analysis is based on the basic characteristics of the Czech Republic and is a certain summary of the previous chapter. Based on defined strengths and weaknesses of Czech economy together with provided opportunities and
In the next NDP, weaknesses were assessed in more detail and segmented into more categories. Macroeconomic field had the same weaknesses defined. Social sphere and the sphere focusing on human resources also included all the weaknesses from the previous period and the spectrum of negative aspects was significantly extended (e.g. low expenditures on education, undeveloped system of lifelong learning, undeveloped information society, ineffective system of public administration). Extended spectrum of negative aspects appeared in all other aspects mentioned in the previous NDP (social field, job market, education system, transport and technical infrastructure, regional development, production and services, the environment) – generally speaking weaknesses were broadened and every weakness mentioned in the previous NDP was also part of the NDP of 2007–2013.

Opportunities

Because NDP of 2004–2006 had been created before the Czech Republic entered the European Union, the main opportunity was seen in the inclusion into this community. This was in line with other expected opportunities such as continuous foreign direct investments, introduction of the reform of public finances and of public administration. Potential for tourism and the interest of foreign tourists in the Czech Republic, suitable natural conditions for economic development and sustainable structure of economic growth – those were the other potential opportunities stated in the NDP of 2004–2006. Another significant factor, which was out of the Czech Republic’s influence however and which affected all the previously mentioned strengths and weaknesses, was the possibility of world economy revival.

NDP of 2007–2013 is again much more elaborate, even when it comes to opportunities; they were defined for almost every topic that had been touched in the NDP. The main difference from the previous NDP is that positive effects from being a member state of the European Union were included more frequently. Among other aspects, greater possibilities of utilising resources from the Structural Funds and the Cohesion Fund of the European Union, participation on the common EU market, opening of job markets of individual member states and other positive effects arising from the membership were mentioned more frequently. Similarly to the previous NDP, great opportunities were understood in the light of positive development of world economies, especially the revival of European economies, whilst mentioning a possible quicker development of Eastern-European economies that had entered the European Union.

Threats

Stated threats were of heightened interest. The first NDP had them summed in several points, including the continuous economic recession in world economic centres (especially the EU), possible inability of the Czech Republic to cope with the competition after entering the EU, postponement of the fiscal reform and the development of public debt, strong exchange rate of Czech currency affecting the export ability of some industries, significantly unfavourable demographic development, increase of regional differences and negative environmental image of some regions, low law enforceability paired with slow court work and also the unfinished reform of public administration.

Same threats appear in the following NDP of 2007–2013; they are slightly extended and elaborated in more detail. In general we can say that factors considered as opportunities can also be regarded as threats – depending significantly on the further development of global economy, society and other conditions. Threats, as well as opportunities, are

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mostly factors that cannot be directly influenced by the Czech Republic.

Chosen Goals and Strategies

Based on the development characteristics and carried out SWOT analysis, goals were selected for the given periods and strategies that would lead to their fulfillment. These goals and strategies form a significant part of the National Development Plans and serve as a basis for the creation of priority axes and operational programmes, i.e. basic tools for receiving financial support from the Structural Funds and the Cohesion Fund of the EU.

Each NDP has one global goal and four strategic goals that lead to the fulfillment of the global goal. Global goal of the NDP of 2004–2006 was "Sustainable Development Based on Competitiveness". The goal of the following programming period stated in the NDP of 2007–2013 has a rather longer title: "Transformation of the Social Economic Environment of the Czech Republic in Compliance with the Principles of Sustainable Development to Make the Czech Republic an Attractive Place for Investments and for Work and Life of its Inhabitants". Both global goals are based on the strategy of sustainable development and focus on the improvement of Czech economy, and improvement of the quality of life of its inhabitants. Comparison of all four strategic goals of the NDP follows.

Creating Conditions for Economic Growth – Competitive Czech Economy

Strategic goals are always focused on a specific domain; the first one deals with the growth and competitiveness of Czech economy. Both strategies to achieve these goals have a common focus: support of research and development, preference of applied research, creating knowledge economy and increasing the cooperation between companies and research centres – in this respect there are minimal differences between the two strategies. Differences arise in the other basic domains. Priorities of the NDP 2004–2006 strategy were focused on company restructuring and support of small and medium-sized companies; in the NDP of 2007–2013 these domains were replaced by the effort to improve entrepreneurial environment for existing companies. The NDP of 2007–2013 in this strategic domain does not mention the development of transport infrastructure, which is – in the NDP of 2007–2013 – only part of the third strategic goal “Attractive Environment” and is therefore more connected with the environment issues.

Human Resources – Open, Flexible and Cohesive Czech Society

Second strategic area in National Development Plans is focused on human resources. Qualified, competitive and mobile workforce is a key factor for achieving the global goals of both National Development Plans. Fulfilling this part of the strategy is essential for other NDP strategies, especially in the filed of Czech economy growth and competitiveness.

Strategies of both NDP in the field of human resources have employment as their main priority, more specifically the fight against unemployment. This is closely connected with another significant field mentioned in both documents: the field of education. Whereas the NDP of 2004–2006 had three interconnected priority areas leading to the achievement of required goal (increasing qualification, flexible system of education and enhancing workforce mobility), the NDP of 2007–2013 has two independent areas (education and the increasing of employment and employability). However, key aspects of both development plans are the same.

The main difference is such that the NDP of 2007–2013 focuses on three additional priority areas that were mentioned only marginally or not at all in the previous NDP. In order to strengthen social cohesion, the NDP of 2007–2013 focuses on activities that support social integration of excluded groups of inhabitants and on promoting equal opportunities for all (e.g. with the increased support of the non-profit sector). Special attention is given to Romani communities. Further priority lies in information technologies and related services. Inseparable to this strategic goal of the NDP of 2007–2013 is the strategy of Smart Administration4 with the goal of increasing its transparency and effectiveness. Areas devoted to information technologies and public administration are not present in the NDP of 2004–2006.

EU Standards for the Environment – Attractive Environment

Third strategy deals with the issues of the environment, i.e. area that has significant importance for the European Union. The strategies in both NDP are based on the fact that the situation of the quality of the environment of the Czech Republic is far from meeting the EU standards, which prevents the fulfilling of both global goals. The strategies deal with removing old ecologic burdens; main problem was seen in the unfinished issues of drinking and sewage waters. Both documents emphasise the use of renewable sources and education of people in the issues of the environment. Resources used in connection with the principle of ecologic modernisation are supposed to indirectly improve growth of the economy by increasing NGP and creating new jobs.

Difference in the described strategies can be seen in the fact that the NDP of 2004–2006 focuses more on developing qualitative work conditions in the countryside outside agriculture, whereas the NDP of 2007–2013 focuses more on the decrease of industrial and housing energy consumption. Moreover, the priority field of the NDP of 2007–2013 is aimed at improving transport accessibility, with greater emphasis on maintaining the principle of sustainable development – which is why we find this strategic area under the goal focused on the environment (in the previous NDP, this field was part of the strategic goal related to the strategy of creating conditions for economic growth).

Balanced Development of Regions – Balanced Development of Territories

The last of strategic areas in National Development Plans focuses on the balanced development of territories (regions). Prague, capital of the Czech Republic, has a specific position among other cohesive Czech regions; it is the only one above EU average. Structurally stigmatised regions – Moravian-Silesian and Northern-West – are especially problematic. The aim of this goal is to decrease the negative impacts of differentiating tendencies between individual regions of the Czech Republic. Both NDP of the Czech Republic devote considerable space to this strategic area, which is specific for its close interconnectedness with all other strategic goals – fulfilling this goal is significantly dependent on fulfilling the previously mentioned ones.

3 NDP of 2004–2006 uses the term specific goals, however they have the same meaning. This thesis uses the term strategic goals, i.e. designation used in the current NDP.

4 The aim is to provide coordinated and effective way of improving public administration and public services using funding from the Structural Funds in the programming period of 2007–2013 (http://www.smartadministration.cz).

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Both development plans share a common focus on structurally affected regions and countryside regions that still face serious problems (people leaving, missing services, insufficient infrastructure, etc.). The main difference between the two strategies is that the NDP of 2007–2013 also includes the cross-border areas and problematic municipal areas – the previous NDP did not cover these. The strategy of the NDP of 2004–2006 on the other hand gave more attention to the low mobility of workforce and development of small and medium-sized companies – meeting the stated criteria should improve the whole situation in the problematic regions.

**Priority Axes and Operational Programmes**

A certain logical conclusion of the previous chapters (especially in regards to the outlined SWOT analysis, chosen global goal and strategic goals) can be found in the described priority axes that are the basic tools for fulfilling global goals. Each NDP has priority axes defined in accordance with the given strategic goals which serve as the basis for operational programmes, i.e. final tools for drawing on the resources from the Structural Funds and the Cohesion Fund of the EU. The first National Development Plan had six priority axes defined in total and five operational programmes, whereas the following NDP had the number of priority axes reduced to four and the number of operational programmes raised to twenty-four.

Main priority axes of the NDP of 2004–2006 is the first axis: “Improving the Competitiveness of Industry and Entrepreneurial Services” and the third axis: “Development of Human Resources”; together they create the focus point of fulfilling the strategic goals of the NDP 2004–2006.

Additional axes “Development of Transportation Infrastructure”, “Protection and Improvement of the Environment”, “Development of the Countryside and Multifunctional Agriculture” and “Development of Tourism” play a rather secondary role and do not contribute to fulfilling the global goal. On the basis of such defined priority axes, operational programmes (OP further on) were created for the years 2004–2006. Five in total, they covered all the defined areas. They were: “OP Industry and Enterprise”, “OP Development of Human Resources”, “Joint Regional Operational Programme”, “OP Infrastructure” and “OP Development of the Countryside and Multifunctional Agriculture”.

The NDP of 2007–2013 had one priority axis defined for each strategic goal fully corresponding to it with its focus, which led to the reduction of the number of axes from the original six (previous NDP) to four. These priority axes (corresponding in this paper with the mentioned strategic goals) were: “Empowering the Competitiveness of Czech Economy”, “Development of Modern and Competitive Society”, “The Environment and Availibility” and “Balanced and Harmonious Development of the Czech Republic Territory”. The number of operational programmes in the NDP of 2007–2013 in comparison to the previous NDP grew significantly, reaching the total number of 24 programmes (seven regional, eight thematic, two focusing on Prague and seven connected with the European territorial cooperation). This increase was the main difference between the two NDP in terms of priority axes and operational programmes.

**Development Tendencies in the National Development Plans of the Czech Republic**

Each part mentioned in this paper contains visible differences present when each National Development Plan

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5 This paper does not take into account integrated operational programmes, i.e. programmes common for all the EU member states.

6 NDP of 2004–2006 was created in March 2003; NDP of 2007–2014 was created in January 2006.

7 For example the outbreak of global economic crisis that affected the whole programming period bringing negative impact on the execution of projects financed from the European Union financial sources for this period.
the growth of Czech economy; negative aspect can be seen especially in the minor focus on the area of research and development and innovation. Some other areas saw little real contribution to their functioning. Prediction of the future development and development of needs is a complex issue, for which reason the generally chosen content focus of both National Development Plans can be evaluated rather positively.

There were many factors that affected the creation of the National Development Plans. First NDP could not be based on any existing relevant experience because the Czech Republic was not part of the European Union back then; the following Development Plan could build on this experience to some extent. In this respect this will be an undeniable advantage for the creation of the NDP of 2014–2020, but only if the Czech Republic is able to utilise the acquired experience.

Highly important factor influencing the shape of development plans was the macroeconomic statistics, analyses and prognoses of future development that were positive in the period of the creation of both NDP. The current programming period of 2007–2013 witnessed an unexpected global economic crisis, which had negative effect on the execution of the policy of economic and social cohesion of the EU in the Czech Republic; final negative impact will be revealed during the evaluation of this policy in the current programming period. The creation of the following National Development Plan of the Czech Republic of 2014–2020 will certainly not be based on such positive macroeconomic data as the previous ones (regarding the Czech Republic, as well as the EU) and this fact will significantly impact the final shape of this strategic document.

From the political point of view – both documents were initiated by an entirely leftist government. The creation of the National Development Plan of 2014–2020 is still fully in the gestion of a leftist government, which can affect the final shape of the next development plan (together with the current economic development of the Czech Republic). There are other factors that will affect the creation of the National Development Plan of the Czech Republic of 2014–2020, and it can be already noted that its final design will be significantly different in comparison to the previous two NDP.

Conclusion

National Development Plans are the basic strategic documents of the Czech Republic, defining the main directions of the policy of economic and social cohesion for the given programming period. In case of the Czech Republic, two such documents have been created so far, for the programming periods of 2004–2006 and 2007–2013. These mentioned documents have identical structure that has been followed by this paper as well. The realised comparison of their individual chapters, dealing successively with the basic characteristic of the Czech Republic, with the realised SWOT analysis, defined goals, strategies, priority axes and operational programmes, reveals that there are no significant differences between the two National Development Plans. The NDP of 2007–2013 is to a large extent a rework and extension of the original NDP of 2004–2006. One of the more significant differences between these documents can be seen in the increase in the number of operational programmes from the original five to the current number of twenty-four operational programmes. The paper also discovers that the content focus of both NDP was chosen rationally and accordingly, although there were changes in the allocation structure of financial aid from the EU funds due to external factors (e.g. global economic crisis).

The creation of National Development Plans was affected by a large number of factors, with the most significant difference between the two was the status of the Czech Republic in relation to the EU membership. The creation of the following National Development Plan of 2014–2020 is based on distinctly different conditions and a completely different focus can be expected in comparison with the previous two National Development Plans of the Czech Republic.

References


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