THE CZECH REPUBLIC

1. REGIONAL DISPARITIES AND PROBLEMS

The Czech Republic borders Germany, Poland, Austria and Slovakia and has a national population of around 10.3 million (1997).

Figure 1.1: Czech Republic.

![Map of the Czech Republic](http://www.lib.utexas.edu/maps/)

The economic position of the Czech Republic during much of the 1990s was generally favourable, following an initial decline in economic production between 1989 and 1992. In 1997, GDP was around 63.2 percent of the EU average. However, during the late 1990s, growth rates fell and unemployment rose, particularly in regions dependent on heavy industry.

There are considerable regional disparities within the Czech Republic (see Table 1.1). The capital city Prague dominates the economic geography of the country, with a large share of the national population, the highest regional employment levels and the largest concentrations of tertiary employment, foreign direct investment, research and development and higher education. The Prague region has a level of GDP that is 119.7 percent of the EU average (1997). Other large cities, e.g. Plzen and Brno, are in similarly favourable positions. Border regions and regions with favourable natural environments

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1 http://www.lib.utexas.edu/maps/
have also benefited from increases in cross-border trade, especially in the west along the German and Austrian borders (e.g. Jihozápad), and tourism.

Table 1.1: Socio-economic indicators in the Czech Republic

<table>
<thead>
<tr>
<th>Czech Republic</th>
<th>1997 Population (000)</th>
<th>GDP Per Capita, PPS EU15=100</th>
<th>Employment by sector (% of total) 1999</th>
<th>Unemployment Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regions</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Praha</td>
<td>1203</td>
<td>106.3</td>
<td>119.7</td>
<td>0.3</td>
</tr>
<tr>
<td>Střední Čechy</td>
<td>1106</td>
<td>46.9</td>
<td>49.3</td>
<td>6.2</td>
</tr>
<tr>
<td>Jihozápad</td>
<td>1181</td>
<td>57.8</td>
<td>60.1</td>
<td>8.4</td>
</tr>
<tr>
<td>Severozápad</td>
<td>1131</td>
<td>57.0</td>
<td>55.5</td>
<td>4.2</td>
</tr>
<tr>
<td>Severovýchod</td>
<td>1492</td>
<td>53.0</td>
<td>55.2</td>
<td>6.0</td>
</tr>
<tr>
<td>Jihovýchod</td>
<td>1662</td>
<td>54.2</td>
<td>56.0</td>
<td>8.3</td>
</tr>
<tr>
<td>Střední Morava</td>
<td>1244</td>
<td>51.8</td>
<td>53.9</td>
<td>7.1</td>
</tr>
<tr>
<td>Ostravsko</td>
<td>1287</td>
<td>57.5</td>
<td>59.3</td>
<td>3.3</td>
</tr>
<tr>
<td>Total</td>
<td>10304</td>
<td>60.1</td>
<td>63.2</td>
<td>5.6</td>
</tr>
</tbody>
</table>

Source: Eurostat

Eastern regions of the country, mono-structural heavy industrial regions and some rural districts are amongst the poorest regions. In the first half of the 1990s, the rate of unemployment in Moravia (eastern part of the Czech Republic) was twice as high as in Bohemia (western part of the country), with the worst affected region being North-Moravia. Since the mid-1990s, this pattern has changed to some degree as a result of the rapid worsening of the economic and social situation in the old industrial region of North-Bohemia. This region had the highest levels of unemployment in the second half of the 1990s. Another distinctive feature of regional development in the country is a sharpening of inter-regional disparities at local level caused by the bankruptcies of industrial plants, e.g. at Kladno. These problems have been particularly pronounced in regions with large concentrations of heavy industry, e.g. in the North of Bohemia and in the region around Ostrava.

2. OBJECTIVES OF REGIONAL POLICY

Since 1996, a range of new legislation has formed the basis of the country’s regional policy approach. The Principles of Regional Policy (adopted in 1998) define the basic principles, objectives and mode of implementation of regional policy and bring national regional policy more closely in-line with that of the EU. Regional policy is now viewed as an activity pursued by the state and regional authorities. The overall objective is to give equal chances to all regions and make full use of their democratic, natural, economic and any other potential. More specifically, policy goals include:

- contributing to the balanced and harmonious development of the regions in the Czech Republic;
- reducing the differences in the levels of development between the regions; and
- improving the regional economic and social structure.

http://www.mmr.cz
The Regional Development Strategy of the Czech Republic, approved July 2000, provides a framework for regional policy and integrates development programmes and interventions at all levels. The overall objectives of the Strategy are:

- achievement of a regional economic and institutional level facilitating the Czech Republic’s accession to the EU and social and economic cohesion;
- stabilisation of a well-functioning regional system in the Czech Republic; and
- creation of mechanisms designed to activate and harness the resources of individual regions, mechanisms to identify regional disparities and instruments to mitigate these disparities.

3. INSTITUTIONAL ARRANGEMENTS

3.1 Territorial Administrative Structure

The Czech Republic introduced legislation in late 2000 for a new system of 14 regions with elected regional governments. Elections for this new tier of administration were also held in late 2000 and the new regions began operation from the start of 2001. The delineation of the 14 regions was made on the basis of significant urban centres and their network of hinterland linkages.

Figure 3.1: Regions (in operation from 1 January 2000) and existing districts of the Czech Republic

In addition to these 14 regions, eight statistical and planning regions have also been created in the Czech Republic. These regions correspond to the NUTS II level and had to

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be introduced because the 14 region division was too small to comply with Eurostat criteria for NUTS II. The function of the eight regions is primarily analytical and statistical as well as forming the basis for EU pre-accession and subsequent Structural Fund aid. Three of the NUTS II regions correlate exactly with three of the smaller regions (Prague, Mid-Bohemia and Ostrava) while the remainder are made up of more than one of the 14 smaller regions.

Table 3.1: Territorial Units in the Czech Republic

<table>
<thead>
<tr>
<th>Unit Type</th>
<th>Designation</th>
<th>Number of Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statistical and Planning Regions</td>
<td>NUTS II</td>
<td>8</td>
</tr>
<tr>
<td>Regions</td>
<td>Self-governing Regions</td>
<td>14</td>
</tr>
<tr>
<td>Districts</td>
<td>NUTS IV</td>
<td>77</td>
</tr>
<tr>
<td>Communities</td>
<td>NUTS V</td>
<td>6242</td>
</tr>
</tbody>
</table>

Figure 3.2: NUTS II Regions in the Czech Republic

3.2 Institutional Structure for Regional Policy

The Ministry for Regional Development was established in 1996 and has overall responsibility for regional policy and the co-ordination of government ministries in regional policy matters. A separate Centre for Regional Development, financed by the Ministry for Regional Development, was also established in order to facilitate the

4 [http://www.mmr.cz](http://www.mmr.cz)
implementation of regional programmes. The stated objectives of the Centre are to support social and economic development in the regions of the Czech Republic by:

- providing methodological assistance to Regional Development Agencies and other entities in order to prepare and realise development programmes and projects (cross-border and municipal),
- providing its patrons with information and consulting services concerning regions, governmental and EU programmes and projects and other relevant areas.

Prior to the establishment of planning and self-governing regions, efforts were made to co-ordinate activities at the regional level through Regional Development Agencies. The first Regional Development Agencies were established in the industrial, coal mining areas of North Moravia and North Bohemia. The Agencies primarily acted as consultancy services for local government and the private sector. They are also supposed to work in co-operation with national government and the Centre for Regional Development and act as the bodies for implementing certain Phare programmes. There is currently informal cooperation between some of the new local governments and RDAs and, in some cases, local governments have become stakeholders in the RDAs.

The regional governments of the new 14 self-governing regions are currently pressing for greater control over financial resources. Their role and responsibilities remains rather unclear.

4. REGIONAL INCENTIVE POLICY

In the past, regional incentive policy has been largely developed and implemented at the national level. However, the Act on Regional Support (June 2000) paves the way for the new regions to take responsibility for their territorial development and the regional level implementation of the regional policy. It is also hoped that the regions will stimulate initiative, co-operation and partnership among various regional subjects.

Programmes of regional support approved for 2001-2002:

- Regional programme of support for industrial enterprises in the North-West and Ostravsko.
- Programme of support for small and medium sized enterprises in the North-West and Ostravsko
- Regional programme of support for entrepreneurs in SMEs in the North-West and Ostravsko.
- Regional programme of support for the redevelopment and construction of technical infrastructure in the former military bases of Ralsko and Mláda
- Programme of regional support for economically weak and structurally disadvantaged regions.

According to the Strategy for Regional Development (2000), standard economic and financial instruments will be applied in these regions but support will be regionally
differentiated. Grants, credits and repayable financial assistance comprise the main forms of support in the Czech Republic.

Additional programmes of support relevant to regional development include the Programme for the Reconstruction of Rural Areas and Regional Support for SMEs.

5. **SPATIAL TARGETING OF REGIONAL POLICY**

Structurally disadvantaged regions and lagging, economically weak regions are designated as target assisted areas:

- **structurally disadvantaged regions** are defined as regions with high concentration of heavy industry, high levels of urbanisation and unemployment (the districts of Most, Kavíná, Kladno, Teplice, Chomutov, Děčín, Ostrava, and Přerov). Indicators for designation include: employment share of industry; trends in employment share of industry; number of entrepreneurs per 1000 inhabitants; and unemployment rate per 1000 inhabitants.

- **lagging regions** are characterised as regions with low standard of living, a high share of employment in the primary sector, low population density and generally also above the average level of unemployment. These regions comprise mostly rural areas with lower level of urbanisation and economic development (Jesník, Tachov, Znojmo, Louny, Český Krumlov, Pachatice, Bruntál, Třebíč, Břeclav, Klatovy). Designation indicators include: unemployment rate; tax revenues of local government; average wage levels; employment share of agriculture and forestry; trend in employment share of agriculture and forestry; and population density.

6. **EU PRE-ACCESSION AID AND REGIONAL DEVELOPMENT**

6.1 **National Development Plan**

The main purpose of the National Development Plan (NDP) is to provide a strategy for the use of pre-accession aid (Phare, ISPA and SAPRAD). Preparation of the plan is led by the Ministry for Regional Development, but also involves the participation of a number of actors and organisations, including representatives from regional level organisations.

The 2000-2006 NDP was adopted and formally submitted to the Commission in January 2000. The strategic objectives of the NDP are to achieve by 2006 GNP at a level close to 75 per cent of the EU per capita average, to prevent regional disparities from deepening further and to achieve a marked improvement in the country’s environmental protection. The plan proposes eight regional operational programmes and six sectoral operational programmes.

6.2 **Pre Accession Aid**

During the period 1990-2000, the Phare programme allocated €722.5 million to the Czech Republic. For 2000-2002 total financial assistance to the Czech Republic will amount annually to €79 million for Phare, €22.1 for SAPARD and between €55 and €80 million for ISPA. The Phare 2000 programme consisted for a national allocation of €59 million. Expenditure on development social and economic cohesion, including SME development,
The launch of a Regional Development Fund supporting seven new industrial parks;
- environmental support concentrated particularly on the industrial regions of North West Bohemia;
- support for the ‘structurally disadvantaged region’ of North West Bohemia, the agricultural area of Jesenik and the ‘growth pole’ region centred around Olomouc;
- two pilot micro-regional projects established in Jeseníky and Strední Haná, managed by the relevant RDAs and undertaken at the level of individual districts;
- Phare 2000 pilot programmes for Ostrava and the North West, currently under implementation;
- inter-regional co-operation and exchange networks including a Czech-German, Czech-Austrian Phare cross-border co-operation programme which has been in operation since 1994; and
- in 1998, a small projects fund was used to assist decentralisation, strengthen regional capabilities and promote co-operation with local and regional actors.

The main components of the Phare 2000 Programme on economic and social cohesion were:

- the consolidation of the National Development Strategy - €1.5 million
- investment Funding for the North West and Ostrava Regions - €16 million

The Ministry for Regional Development, a National Programming Committee for Economic and Social Cohesion and a Monitoring Committee for Economic and Social Cohesion are all involved in the co-ordination of preparatory activities associated with the Czech Republic's accession to the European Union in the field of economic and social cohesion (Structural Funds and the Cohesion Fund). The Ministry for Regional Development is also responsible for the preparation of conditions for the use of the European Regional Development Fund (ERDF) and its future administration, including the SPP. At the regional level, new Regional Councils, made up of representatives of the local assemblies, have been set up at the NUTS II level. Separate Managing and Monitoring Committees have been set up for the preparation and implementation of operational programmes and co-ordinating structures for ISPA and SAPARD.
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