

**COPIE ACTION PLANNING GROUP  
CZECH REPUBLIC BASELINE REPORT**

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## Introduction

The Czech Republic is situated in central Europe, it is land locked and shares borders with Germany Poland Slovakia and Austria. It has some 10.25 million inhabitants 65% Of whom live within an urban environment .Unemployment rose steadily during the 1990's and early part of this century but prior to the current global economic crisis had been on a downward trend falling below the EU average in 2006.

At the time of the agreement of its operational programme it identified the following critical issues to be addressed:

In recent years the Czech economy has strengthened significantly, with GDP growth reaching 6.1% in 2005 and 2006. GDP per capita is currently approximately 76% of the EU average.

Over the last decade, the population has shrunk by over 100 000 to 10.2 million, although there are recent signs of a reversal of this trend. Ageing of the population necessitates pension reform. At the same time, life expectancy is rising to European averages.

Although most citizens complete secondary education, there are a low proportion of university graduates. Moreover, the education system should be more adapted to labour market needs. Knowledge of languages, IT literacy and life-long learning in general need to be strengthened. Spending on human resources in the Czech Republic is lower than the EU average, amounting to 4.42% of GDP in 2004.

The recent strong economic growth has had a positive effect on the labour market, raising the overall employment rate above the EU average to 65.3%, (56.8% for women). In the 55-64 age group, the employment rate of 45.2% is over the EU average and still growing. Labour productivity has continued to increase, reaching approximately 68% of the EU average.

Unemployment was 7.4% in 2006, below the EU average and falling.

Unemployment rates decline sharply the higher the level of education attained.

However, in contrast to this increasingly encouraging situation, gender stereotypes persist and long-term unemployment is a problem, particularly among disadvantaged groups such as people with low or no qualifications and the Roma communities.

Cooperation between entrepreneurs and educational and research institutions is still a challenge, with research and development expenditure (1.42% of GDP) lower than the EU average. The country is experiencing a brain drain in some sectors. On the other hand foreign investment is high.

Regional disparities in unemployment are a significant problem, caused by structural problems and low worker mobility. The situation is difficult in the North-West and Moravia-Silesia regions, whereas unemployment is lowest in the Prague region, which also outstrips the rest of the country in development and affluence.

The Czech republic has not been immune from the global economic downturn, however evidence to date suggests that it has weathered the current economic storms better than much of the rest of Europe. The GDP growth in 2008 was 3.2% faster, in real terms, compared to the West European countries where a significant economic slump was recorded and also compared to EU27 (by 2.3 %). The Czech Republic's position among the EU countries continued to improve. According to preliminary estimate of the Czech statistical office GDP in the Czech Republic in 2008 reached 82% of level of the EU 27 countries.

## THE ADMINISTRATIVE STRUCTURE

A top level executive power is represented by the Government of the Czech Republic. It forms a regulatory framework and is responsible for delivering a substantial part of policies. It consists of number of Ministries responsible with specific responsibilities and of Governmental Office which includes different advisory bodies, e.g. Governmental Council for Human Resource Development, for Non Governmental Organisations, for Roma issues, or for equal opportunities between women and men.

Some of the Ministries have established regional or local offices to deliver their policies locally. Thus Labour offices are established by Ministry of Labour and Social Affairs for delivering active labour policies (assistance for employers and unemployed) within the regions.

The Czech Republic consists of 14 regions (NUTS III) with their own government, office and representatives and their Development plans and strategies (mostly general with no specific actions in the field of Inclusive Entrepreneurship).

Regions were established in 2000, when central government passed some responsibilities to the regions and municipalities, e.g. part of health service, part of social services, secondary and primary schools (6-18 years), local infrastructure.

CR has 8 cohesion regions (NUTS II) which are responsible for management of their ESF Operating Programmes.

For COPIE's purposes, the most relevant Ministries are:

**Ministry of Labour and Social Affairs (MoLSA)** - responsible for employment policies, social exclusion, pensions, social benefits, family policy and using ESF in the area of HRD and employment excluding formal education (it is a Managing Authority for Human Resources and Employment Operational Programme - HRE OP).

These are sections and departments of the Ministry dealing with policies which are important for inclusive entrepreneurship:

- **Department of Social Services** - responsible for social inclusion policy and for managing part of HRE OP - priority axes Social Inclusion (including Roma issue)
- **Department for Active labour Policies**-Responsible for strategy and methodological management of Labour Offices and for:
  - i) managing part of HRE OP
  - -ii) priority Axes Adaptability by providing training and salaries for employees of declining companies and
  - iii) For managing HRE OP intervention area of Equal opportunities for disadvantaged on Labour Market (similar to CIP EQUAL activities).
- **Department of ESF Management** which has overall responsibility for HRE OP, provides publicity and evaluation at the programme level and is directly responsible for managing Adaptability Priority Axes and Transnationality P. Axes (it allows support of transnational actions of all other Priority Axes).

**Ministry of Industry and Commerce** - responsible for policies connected with entrepreneurship. There are at least two departments with links to the inclusive entrepreneurship:

- **Department of Competitiveness** (former SME Dept.) - in cooperation with Czech Chamber of Commerce provided support for SMEs and self employed in the form of the network of information centers for entrepreneurs
- **Department of management, Industry and Entrepreneurship**- responsible for management of ERDF OP

**Ministry of Education, Youth and Sports** - responsible for a separate ESF OP concerned with these areas

**Ministry of Regional Development** - responsible for coordination of all structural funds in the Czech Republic, Managing Authority of Integrated OP - and provides funds from ERDF for some complementary actions.

**Ministry of Finance** - responsible for national budgets, taxes, fees and so on. It is relevant for tax reductions or tax holidays for start-ups...also for social and health insurance issues.

## THE ROLE OF ESF IN SUPPORTING ENTREPRENEURSHIP

The Czech Republic takes a three-pronged approach to maximising the benefits of ESF funding - improving training and innovation potential, activating the workforce including fight against unemployment and social exclusion, and special approach to human resources in Prague. This logic is reflected in three ESF operational programmes (OP) for the country, two thematic OPs on education and on employment, and a regional programme targeted at Prague.

### **Programme 1: Education for competitiveness- 2152m euro**

This programme aims to enrich the Czech workforce by improving primary, secondary, tertiary and further education, encouraging life-long learning and promoting research and development in order to meet the demands of the labour market more efficiently.

Education will be improved by actions that:

- Connect school curricula with labour market needs, stressing language and computer skills. Support to further training of teachers.
- Ensures equal opportunities for pupils with special educational needs, including integration and preventing social exclusion.

Tertiary education and research and development will be strengthened by actions that:

- Make university-level education available to more candidates, while enhancing quality.

- Provide research and development workers with vocational training, better employment conditions and motivational tools.
- Strengthen the relationship between tertiary education and the private sector, for example by information exchanges between educational bodies and employers.

In addition, a comprehensive blueprint for further education and life-long learning will be drawn up, with the aim of promoting its far greater accessibility.

### **Programme 2: Human Resources and Employment- 2157m euro**

The overarching objective here is to raise the Czech Republic's employment and employability levels to the average of 15 best EU countries, focusing on:

Increasing employees' and employers' adaptability by developing skills, introducing modern systems of human resources development in firms and unemployment prevention in restructured enterprises. Active labour market policies will focus on improving access to employment and the permanent integration of people looking for jobs; and on preventing unemployment, in particular long-term, and the unemployment of groups disadvantaged on the labour market. Systems predicting fluctuations in employment requirements will also be developed.

Promoting inclusion and combating long-term unemployment among disadvantaged groups. Fostering equal opportunities by better access to the labour market. Special attention will be paid to socio-cultural groups like the Roma.

Improving the capacity, quality, efficiency and transparency of public administration and services. To reduce the administrative burdens on

people and businesses. Promoting trans-national cooperation in the area of human resources development with different EU Member States.

### **Programme 3: Prague - Adaptability -128m euro**

Prague's competitiveness will be increased by promoting an adaptable and efficient attitude towards human resources and by improving access to employment for all. This, in turn, will promote sustainable socio-economic development in the region, benefiting the economic development of the Czech Republic as a whole.

Three strategies will be deployed, aimed at: developing a knowledge-based economy, a more accessible labour market, and welcoming previously excluded groups into the workforce. The education system will be geared towards the acquisition of job-market skills.

## THE ROLE OF ERDF IN SUPPORTING ENTREPRENEURSHIP

The European Commission approved on 3 December 2007 the operational programme "Enterprise and Innovations". This programme involves Community support in the Czech regions except for Prague within the framework of the "Convergence" objective.

The total budget of the programme is around EUR 3.6 billion and the Community investment through the ERDF amounts to EUR 3.04 billion (approximately 12 % of the total EU money invested in the Czech Republic under Cohesion policy 2007-2013).

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### 1. The purpose and aim of the EU investment



In the future years, the economic and employment policies of the European Union should be oriented towards the amended Lisbon strategy.

The operational programme "Enterprise and Innovations" is the main programming document for the realisation of the policy for economic and social cohesion and an important tool for the realisation of the strategy for the development of small and medium-sized enterprises for the period

2007-2013 in the Czech Republic.

## 2. The expected impact of the investment

The programme is expected to create around 40 000 new jobs. Gross domestic expenditures on Research and Development (R&D) in the business sector is expected to increase to 1.5 % of the GDP. The share of production in high-tech branches of manufacturing and high-tech branches of services of the business sector is expected to increase from current 7.5 % (in 2003) to 9.5 % of the GDP by 2015.

## 3. Priorities

The global objective of the operational programme Enterprise and Innovations is to increase by the end of the programming period the competitiveness of the Czech economy and bring the innovation performance of the industry and services sectors closer to the level of leading industrial EU member states. In the implementation of the operational programme, attention should be paid to ensure that the support provided goes primarily to small and medium-sized enterprises (SMEs) in line with the Community Strategic Guidelines.

### **Priority 1: Establishment of firms-93m euro**

The priority includes interventions focused on creating conditions for establishing new firms and on supporting innovative firms. Attention will be paid to accessibility of appropriate financial resources including new pro-innovation financial instruments to facilitate starting entrepreneurs' access to capital and thus broadening the opportunities to financing their business plans and submitted projects. Only SMEs will be beneficiaries of aid.

### **Priority 2: Development of firms-780m euro**

Implementation of business development plans by competitive small and medium-sized enterprises which are prevented from obtaining external bank finance due to low levels of personal capital or due to their limited ability to provide a guarantee for a loan. Furthermore, the improvement of the technical equipment of firms by purchasing new modern technologies

including information and communication technologies (ICT) will be supported.

**Priority 3: Effective energy-286m euro**

Interventions aimed at stimulating the activity of entrepreneurs in reducing the energy intensiveness of the production processes, reducing the consumption of primary fossil fuels and at supporting new entrepreneurs in activities leading to a higher use of renewable and secondary sources of energy.

**Priority 4: Innovation- 800m euro**

Support technical innovations (innovation of products and processes) and non-technical innovations (organisational and marketing innovation) in enterprises including the development of their cooperation with research and development institutions and the development of internal capacities for R&D and related activities, in particular in SMEs in order to increase innovative activities and the number of enterprises that carry out their own research and development.

**Priority 5: Environment for enterprise and innovation- 1267m euro**

Stimulation of an environment that will encourage the establishment and development of innovative companies. It aims at creation of necessary infrastructure for innovative new businesses through provision of business incubators, to extend and increase the quality of cooperation between enterprises, educational and research and development institutions to support and to accelerate innovative processes in firms.

**Priority 6: Business development services-247m euro**

Development and delivery of quality consulting and information services for companies; this applies also to seeking new business opportunities and professional preparation for strengthening the position of the Czech industry in international trade. The support will also facilitate international marketing activities of small and medium-sized entrepreneurs and will stimulate the interest of the entrepreneurs in forms of collaboration to

facilitate market access and negotiations with business partners.

**Priority 7: Technical assistance-105m euro**

Finance activities that are aimed at the preparation of the Operational Programme, its management, implementation, monitoring, evaluation, publicity, and control.

## JOINING THE SUPPORT UP

During the baseline visit I met with National representatives from the Managing Authority for ESF, the Department for Social Services, the Ministry of Education, the Ministry of Trade and Industry, the Department for Employment Policy, the Ministry of labour, the Chamber of Commerce, the new economics foundation, and a forum of training providers.

They had prior to my visit completed an analysis of the situation in the Czech Republic. They were asked to indicate their level of agreement with the following statements where 1= do not agree and 6= agree strongly.

The results were as follows;

- There is an integrated strategy for entrepreneurship. 3.2
- The strategy has been developed with the full participation of policy makers, business support organizations and entrepreneurs. 3.5
- The strategy is communicated publicly and widely understood. 3.0
- The strategy includes specific reference to effectively promoting entrepreneurship to disadvantaged and underrepresented groups.2.6
- Thorough and comprehensive research has been undertaken into the support needs of disadvantaged and underrepresented groups.2.5
- The main Departments and Agencies collaborate effectively in shaping the policies and practices.3.5
- The strategy gives sufficient emphasis to each of the following :

- Current attitudes to entrepreneurship 3.6
- Use of media campaigns to change attitudes 3.6
- Use of role models 2.5
- Face to face events 3.2
- Careers advice 4.1
- Primary and secondary education 2.9
- University and college education 2.8
- Test trading 2.9
- Assistance in the start up process 3.7
- Property advice 3.7
- Mentoring 3.0
- Access to finance 3.2
- Access to business information 3.4
- Different industrial sector requirements 3.7
- Moving from self employment to becoming an employer for the 1st time 3.2
- High growth businesses 3.1
- Export/joint venture opportunities 3.5
- We make the best use of EU structural funds in delivering entrepreneurship support 3.9
- The main departments and Agencies collaborate effectively in delivery the services to entrepreneurs and potential entrepreneurs. 3.0
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- Monitoring and evaluations by departments and Agencies take account of the number of people from target groups reached and the quality of their experience. 2.7
- We have a common vision of what success would look like. 2.8
- We know where we are now compared to where we want to be .2.9
- The strategy is refreshed on a planned basis in the context of the evaluations 3.1

- There is cross party political commitment to supporting entrepreneurship.2.7
- The strategy is refreshed by learning from equivalent work undertaken outside of the region /member state.3.0

## CONCLUSION

There are a number of challenges to developing an effective action plan:

There is a caretaker government currently in power until elections in the autumn and some civil servants are wary of how much they can commit to do.

Entrepreneurship and start up policy are seen as one and the same thing by some, rather than the more inclusive definition adopted by COPIE.

However there is also considerable goodwill by all involved in the baseline visit to be members of COPIE and to start working together to develop a common vision. This good will and the results of the baseline visit indicate that there does exist a foundation from which to build;

The main Departments and Agencies were seen by many of the respondents to collaborate effectively in shaping the policies and practices.

An even larger number felt that the Czech Republic makes the best use of EU structural funds in delivering entrepreneurship support.

A number felt that the strategy has been developed with the full participation of policy makers, business support organizations and entrepreneurs.