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National review on the SAPARD Programme in the Czech Republic

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1. Executive summary

As the launch of the SAPARD Programme was originally planned for 2000, the first seminars in the framework of an information campaign dedicated to final beneficiaries and administrators took part already by the end of 1998. Nevertheless, due to the uncompleted process of establishing of the SAPARD Agency (SA) postponed for the 1 September 2001 as well as to an essential delay in the adoption of the legislation its launch had to be delayed for the 15 April 2002. SA was directly subordinated to the Ministry of Agriculture (MoA) whereas the responsibility for the Programme implementation was shared between the MoA and the Ministry for Rural Development (MRD). Even though the publicity campaign has been very successful and the promotion material was of high quality many applicants were obliged to find other sources of project financing in regard to the time delay between promotion and implementation.

Since the accreditation to the SA was not attributed in 2001, firstly, a consultation test round has been carried out by RO SA helping the applicants to elaborate their projects, secondly, in June 2001 the TEST Programme fully financed from national sources was launched by the MRD. Since 2002, 6 rounds for receipt of applications on agricultural measures and measures on rural development have been declared as well as 5 rounds in 2003 for the measure on vocational training. The majority of funds allocated have been used for agricultural measures while solely one third of funds have been allocated in the rural development. The latter have been exhausted during the first three rounds. In December 2002, an extraordinary flood round was opened exclusively for the farmers affected by the August floods. The successfulness in the first round was in the case of the agricultural measures about 90% whereas in the second round it was solely 60% due to increasing competition. On the contrary, the demand under the measures on rural development exceeded continuously five times the volume of allocated funds and the successfulness remained constantly very low. Furthermore, there was a systematic difference monitored in terms of number of projects submitted between counties with high level of activity resulting from high share of agricultural land such as Southern Bohemia and those with relatively low performance such as industrial Northern Bohemia. The allocated funds have been exhausted by 100% and even an overcommitment of 15% have been made.

As far as the agricultural measures under Priority 1 are concerned, the strategy of MoA was to reduce as much as possible the scope of eligible expenditures in order to satisfy at least the crucial needs of this sector from the limited budget. In general, the implementation of Priority 1 turned out very effective and efficient, the investments in agricultural holdings led to increased quality of products and thanks to the support a majority of the beneficiaries are in compliance with the EU standards. Positive effects have been also monitored in terms of more rationalized use of production factors, improved product quality, decreased production costs and created job due to the support. However, the investments were focused rather on a short-term survival of the primary production in the perspective of the EU membership than on a sustainable increase in competitiveness. Concerning

the measures on rural development (2.1, 2.2), the absence of a tighter delimitation of eligibility expenditures resulted in an excess of applications of which only about 22% were approved. The support had very positive effects in terms of increasing the quality of life for the local population, preservation of rural heritage, creating of new jobs opportunities and the development of existing SME and thus the sustainable development of rural areas. Nevertheless, as only few projects on agri-tourism, on regional non-agricultural products and on production of alternative energy sources have been supported, the financed projects have not much attributed to the diversification of farm activities. Furthermore, under the Priority 2 the measure 2.3 on agricultural environmentally friendly production has been designed in a very complex way in order to test specific management practices tailored to the needs of each area selected. A considerably low participation in some pilot areas resulted from the lack of experiences concerning the implementation of more complex land management among local authorities and farmers. As the potential scale of agri-environmental activities in the Czech Republic is quite large it is not evident whether 5 pilot areas projects could have provided sufficient experience for implementing of HRDP. Finally, in the framework of the third priority, a measure on vocational training has been implemented in 2003 by the Institute of Agricultural and Food Information. Due to relatively unfavourable conditions for training bodies and high administrative requirements solely a half of announced themes have been covered. Nevertheless, the organized seminars were in general very successful. The last implemented measure on technical assistance assuring improvement of the Programme in terms of monitoring and evaluation contributed, on one hand, essentially to the facilitation of Programme's activities, on the other hand a cross-cutting approach has been missing, in particular as regards the monitoring.

Regarding the small amount of funds allocated for SAPARD the main role of the SAPARD Programme has to be seen in the preparation for set-up of the administration system for Operational Programme Rural Development and Multifunctional Agriculture (OP RDMA) established on the basis of the SAPARD implementation system. After the transition to structural funding the impact of the implementation of the new CAP in the OP will be much more significant. The continuity of personnel and hereby of transmission of achieved experiences and best practices remained in general on both levels, in the regional as well in the national administration. As of the 1st January 2004, the SA has been transferred under the State Agricultural Intervention Fund (SZIF). The transfer of the SA under the SZIF was preceded by an appointment of the Managing Authority for the OP RDMA and it was decided to merge the former SAPARD Programme Managing Authority with this newly established department as of the 1 July 2003. The implementation of the agri-environmental measure has helped essentially with setting up of the implementation of HRDP on the level of programming document.

The Programme has produced a wide range of positive results and impacts, such as increase in productivity and more rational production, increase in income, improved quality of products, positive effects on animal welfare, improved working and health conditions, improved storage capacity, high

number of created jobs, partial diversification of rural economy, improved competitiveness and increased activity of existing SME. However, it turned out that the farmers inexperienced in demanding public funds had been often discouraged by the volume of information required to accompany an application for projects of any size. Thus in the case of small-sized projects the volume of requirements did not correspond to the risks associated with the granting of aid. It turned out that the implementing system favoured systematically projects submitted by big agricultural co-operatives whereas projects of smaller operators whose technical level and human resources do not meet the Programme's requirements were missing. Furthermore, the unwillingness of banks to offer loans to private entrepreneurs, especially in agriculture, was partially broken down in the course of the Programme. In spite of the fact that the measure on rural development focused also on start-up of new businesses and diversification of farm income, the realized diversification of farmer's activities and rural tourism each accounts for less than 10 %. Concerning the Programme's administration, it has been set up in compliance with the EU requirements and it has turned out very effective. Nevertheless, the scoring system as well as the controls has been focused rather on administrative compliance and verification than on quality criteria and the administrative procedures were elaborated too complex hindering often an effective implementation. The co-operation with administrators at regional level was assessed by beneficiaries as excellent whereas typical was the unwillingness of state authorities, especially of the higher ones, to assume full responsibility and to communicate the up-to-date conditions and rules, that changed perpetually in the course of the Programme, to the beneficiaries.

To conclude, as the large processing holdings or cooperatives are narrowly specialized in large-scale production, alternative incomes through extension of farming activities should be ensured by supporting of SME. Therefore the administrative procedure for small-scale projects should be simplified and it is to introduce a simpler system in addition to the current one. As a model should be provided a very simple small project, simplified should be also the assessment of the financial health. Furthermore, the state authorities should certify a certain number of consultants defined by an authorization for consultancy activities in order ensure the protection of beneficiaries of public funds. To prevent the unnecessary excess of demand increasing the risks of applicants and discouraging small operators, the monitoring of planned investment projects in the regions should be ensured in order to allow to design a measure better-aimed on real regional priorities. The scoring criteria should be focused more on the individual quality of projects than on the maximal compliance with listed items in order to avoid the prioritization of projects with a lower marginal utility than projects not selected. Moreover, the rural development should be more interconnected with the diversification of agricultural activities by means of a co-operation of mayors with farmers and the projects should express an essential interest of the concerned municipalities on the project implementation improving the live conditions and co-operation within microregions. More accent should also be put on the bottom-up approach and the inclusion of the rural dwellers and socio-economic partners in the

decision-making process as well as on the improvement on the information dissemination on agri-environmental issues.

2. Introduction

This report aims to describe and to evaluate the development of the SAPARD Programme in the Czech Republic (hereinafter the "Programme"), a special EC pre-accession programme for agriculture and rural development, in order to provide a national review on current achievements and deficiencies of the SAPARD operation in the Czech Republic. This report has been elaborated for the European Institute in Sofia via EUROPEUM, the Institute for European Policy in Prague, in order to be presented in an international conference entitled "SAPARD programme - effective EC pre-accession instrument: comparative review" to be held in 2005 in Sofia.

This report consists of Introduction, Framework analysis divided in 4 main chapters, Policy options, Policy recommendations, Comments, List of measures and List of acronyms. The first sub-chapter of Framework analysis (3.1) gives an overview of the context situation of the Czech agricultural sector and rural areas while the second sub-chapter (3.2) describes the diachronic development of SAPARD Programme in the Czech Republic. The third sub-chapter (3.3) is dedicated to the implementation of the Programme, in particular to the assessment of relevance and effectiveness of individual measures and to the presentation of its current achievements and deficiencies. The fourth sub-chapter (3.4) presents the implementing structures of SA and analysis the experiences achieved during the project administration and control. The Sub-chapter five (3.5) focuses on usage of SAPARD best lessons and practices for implementing programmes on EC structural assistance as well as on the transformation of the SAPARD Paying Agency to the CAP Paying Agency. A brief summary of conclusions and policy recommendation is presented in last two chapters.

2.1 Problem statement

SAPARD is a special pre-accession programme in agriculture implemented in countries with the status of candidate for the accession to the European Union. The usage of this instrument should lead to practical implementation of *acquis communautaire* as well as it aims to solve problems affecting the agricultural sector and rural areas in the candidate countries. However, except for the common implementation of *acquis*, these overall objectives have to be applied in accordance with national priorities. Thus the national implementation solution based on a specific selection of eligible measures proposed in the framework of the (SAPARD) Council Regulation 1268/1999 can differ from one country to the other regarding the operations carried out in priority for the respective country sectors. By setting up the SAPARD Programme, the Czech Republic as well as any eligible candidate country faced with an essential problem: how to put together the short-term priorities linked to an operational,

in-time adoption of *acquis* representing for many holding the only survival option to be in conformity with EU standards after the accession, and long-term adjustment of the agricultural sector and rural areas? Apart from maintaining of this fragile equilibration between short and long-term objectives the implementation of SAPARD Programme should help to switch to setting up of an administration system for drawing funds related to agriculture after the EU accession. Therefore this report aims to assess the “Czech solution” not only in terms of the impact of projects supported under SAPARD on national agriculture but also in regard to the long-term objectives of the Common Agricultural Policy placing on and on more weight on rural development and diversification of rural activities that represent an alternative income for the agricultural sector.

2.2 Research goal

In accordance to Terms of Reference, the objective of this report is to provide information on the Programme’s implementation and impacts, in particular an analysis on the consistency of the SAPARD strategy in terms of relevance, effectiveness and appropriateness of implementing arrangements and structures, the monitoring system, initial achievements in terms of effectiveness and efficiency as well as the application of common and programme specific evaluation questions. In consideration has been taken also the compatibility of actions financed under SAPARD with the EC strategy of sustainable development of rural areas as well as the environmental impact of implemented projects. This report aims also to assess the readiness of the Czech Republic to use the best practices learned from SAPARD during the transition in order to draw aid from structural and non-structural agricultural funds (esp. Guidance and Guarantee Section of EAGGF and FIFG). On the basis of the assessment of above mentioned experiences achieved during the implementation, this report aims to offer solutions to improve the project preparation and thus the usage of pre-accession funds as well as of that the EC structural assistance in agriculture.

Thus the overall objectives of this report are:

- to provide information on best practices and lessons learned in The Czech Republic to share these experiences with other countries having implemented the SAPARD Programme
- to help the accessing countries the switch to structural funds oriented to agriculture in the most effective way on the basis of experiences gained in new EU member states, notably in the Czech Republic, during the implementation of the SAPARD Programme
- to improve the usage of the EC pre-accession funds, more specifically SAPARD, regarding current objectives of the CAP towards rural development and sustainable agriculture.

2.3 Definition of terms

In this report following terms have been used:

- Priority - a key strategic objective in relation the respective sector based on national policies. Under the “priority I” that is under competence of the Ministry of Agriculture fall measures 1.1, 1.2, 1.3 and 1.4. The term “priority II” is used for measures 2.1, 2.2 (under the competence of the Ministry of Regional Development) and 2.3 (under the competence of the Ministry of Agriculture). The term "priority III" is used for measure 3.1 and 3.2 and is under the competence of the Ministry of Agriculture.
- Measures - means and instruments designed to implement the objectives (priorities).
- Relevance - justifiability of project objectives in relation to the needs of the beneficiary and in relation to the objectives of the measure
- Coherence – logical and orderly and consistent relation of measures
- Effectiveness - fulfillment of operational objectives, an accordance between produced outputs and project objectives
- Efficiency - utility of investments with regard to its results and impacts
- Sustainability - duration of results and impacts of the project output in a long-term perspective
- SME - small (less than 50 employees) and middle-sized (less than 100 employees) enterprises
- Large holdings - more than 100 employees

2.4 Research methodology

The research methodology can be understood as set of criteria and questions analyzed and answered on the basis of collected data.

It has to be stated that due to relatively short time period at disposal for elaborating of this report the scope of questions and problem fields had to be reduced to several essential points.

2.4.1 Evaluation criteria

This report is based on cross-cutting evaluation criteria set in Terms Reference. These criteria are namely:

- Relevance
- Coherence
- Effectiveness
- Efficiency
- Sustainability

(for the definitions see chapter 2.3)

2.4.2 Evaluation questions

At the Programme level as well as at the level of individual measures this report focuses on answering the following crosscutting and common evaluation questions:

- To what extent has the Czech SAPARD Programme been in compliance with the EC Strategy for sustainable agriculture?
- To what extent has the implementation of projects under the Programme prepared the agricultural sector and the rural economy for implementing of acquis communautaire?
- Has the implementation of projects in the framework of the Programme helped the agricultural sector (production and processing) to fulfill the Community standards and to what extent?
- Has the Programme contributed to establish CAP administrative procedures at the administration level?
- Has the implementation of projects financed under the Programme contributed to an improvement of environment and environmental protection in The Czech Republic and to what extent?
- To what extent contributed the Programme to diversification of the rural economy, more specifically to that of agricultural activities in rural areas?
- Has the Programme contributed to sustainability of rural areas by creating of new employment opportunities and to what extent?
- Have the implementing arrangements been in accord with the effects to be achieved?
- Which were the main obstacles and difficulties from the point of view of the administration?
- Which were the main obstacles and difficulties from the point of view of the beneficiaries?
- How have the experiences gained during the Programme implementation contributed to setting up the system from granting aid from structural funds oriented to agriculture?

2.5 Sources of information

The questions resulting from the research goal and corresponding to the Terms of References have been answered on the basis of collected sources which are of both qualitative and quantitative nature. Following sources of information have been collected and analyzed:

2.5.1 Secondary data sources

The secondary data sources consist of :

- Ex-ante evaluation
- Midterm evaluation
- Annual reports
- National Monitoring Committee Meetings Minutes

- Monitoring indicators produced by the MoA
- National Statistics from the Czech Statistical Office
- Statistics from other EU member states
- SAPARD annual reports of the European Commission
- Agriculture and Rural Development Plan
- Operational Programme Rural Development Multicultural Agriculture
- Horizontal and Rural Development Plan
- Common Regional Operational Programme

2.5.2 Primary data sources

Due to the lack of time solely a representative group of the "key persons" of the SAPARD Programme was interviewed or answered a written questionnaire, among them:

Name	Function
Ms. Eva Vlasakova	Head of Independent Managing Division for the SAPARD Programme, State Agriculture Intervention Fund (SZIF)
Mr. Vitezslav Vopava	Head of HRDP Methodology Division, SZIF
Ms. Eva Machacova	Head of Department for OP and SAPARD, SZIF
Ms. Milena Vicenova	Head of Department for Food Safety and Environmental Risks, MoA, former Director of Managing Authority
Mr. Pavel Prazan	Research Institute for Agricultural Economics (VUZE)
Mr. Vondrak	Protected Landscape Area Blanik, (CHKO Blanik)
Ms. Milena Rydlova	Manager, Institute of Agricultural and Food Information (UZPI)
Ms. Petra Hodova	External relations Division, Managing Authority Department for the RDMA (Operational Programme Rural Development and Multicultural Agriculture), Ministry of Agriculture (MoA)
Ms. Sarka Hartychova	Managing Authority for SROP (Common Regional Operational Programme), Ministry of Regional Development (MRD)
Ms. Gabriela Sulmanova	Consultant, Eutrain s.r.o., former administrator of the SAPARD Programme at MRD
Mr. Miroslav Laska	Head of RO SA Usti nad Labem
Ms. Petra Vitkova	Controls Co-ordinator, RO SA Ústi nad Labem
Ms. Iva Klementova	Head of RO SA Ceske Budejovice
Mr. Ladislav Beles	Controls Co-ordinator, RO SA Ceske Budejovice
Mr. Vodicka	Inspector, RO SA Ceske Budejovice

Mr. Holoubek	Inspector, RO SA Ceske Budejovice
Ms. Matulova	Livestock Specialist and Farm Manager, Najmr farm
Mr. Martin Kratochvil	Economist, Bohusovicka dairy

2.5.3 On-the-spot visits

Thanks to the kind aid of Ms. Eva Vlasakova, Head of Independent Managing Division for the SAPARD Programme in SZIF, I had the possibility to visit in the framework of my research two of eight Regional Offices of the SAPARD Agency (RO SA) established on the NUTS II level of 8 regions¹, namely the RO in Ceske Budejovice covering the South-West region, and the RO in Usti nad Labem covering the North-West region of the Czech republic. These two regional offices contrast strongly in terms of submitted applications and the level of activity in the SAPARD programme. RO SA Ceske Budejovice has managed the Programme in counties showing generally a high level of activity (Southern Bohemia, Pilsen) arising from its character of rural area with traditional social structures, high share of agriculture, processing industry and an extraordinary environmental potential for the development of tourism. On the contrary, RO SA covers the north Czech counties with low activity, such as Karlovy Vary, Usti nad Labem, Liberec, having low share of arable land and agriculture in general, high share of less favoured areas, stagnating or declining industry and high unemployment. In each region, I had the possibility to visit two implemented SAPARD projects.

In the county of Usti nad Labem I visited Bohusovicka dairy that has implemented a project on acquisition of a cottage cheese production facility under the sub-measure 1.2.1 Modernisation of Technologies (see Annex 1). Moreover, I visited a conventional agricultural farm "Najmr". This farm has been stricken by the floods in August 2003 and it has reconstructed housing capacities for cattle benefiting from the sub-measure 1.1.1 on animal welfare within the extraordinary "flood-round".

In the County of Ceske Budejovice I had the occasion to visit a project implemented within the Priority II on Rural Development that has made come alive an old local tradition of bobbin lace in a typical picturesque South-Czech village of 1300 inhabitants. The municipality was represented by its mayor Mr. Frantisek Kopacek, who has put personally through two projects under the sub-measure 2.1 a) Renovation and development of villages and 2.1b) Development of rural infrastructure. The renovated village-place corresponds to the original idea to connect the traditional lacemaking with the development of the tourism in the microregion. The second project I visited in the South-Czech region was a constructed entertainment center in a small town of 6476 inhabitants Vodnany offering leisure time activities such as bowling, discotheque, internet, playground, restaurant and accommodation.

This center was financed under the measure 2.2 on development and diversification of economic activities for revenue-generating projects.

3. Framework analysis

3.1. Structural problems of the agricultural sector and the rural areas

The Czech Republic has a total area of 76,866 square meters of which 92,3 % can be designated as rural. There are 2.988,550 inhabitants living in villages, i.e. 29 %. Of the total population, 75,9 % live in rural regions. Natural conditions for agriculture correspond with the European average; the soil is fertile and the climate is moderate, benefiting from a mutual penetration and mixing of oceanic and continental effects. Of the total territory of the Czech Republic, 28% of the agricultural land resources are below 500 m in elevation (above sea level), about 8% between 500 m and 700 m and only 3% of the agricultural land resources are above 1,000 m. In some areas, however, topography and elevation cause less favoured conditions. The share of the arable land of 72% is one of the highest in Europe whereas the grasslands take up despite the climatic conditions only 22,5% of the agricultural land. Even though the share of the agricultural sector in the GDP (including fisheries and forestry) oscillate from 1997 around 4,50%, (4,51% in 2002) it is practically decreasing as of the beginning of the 90tees. Compared with 1990, gross agricultural output was 28 % lower in 1997, with crop output down by 21 % and livestock output down by 32%. The share of farmers in the employment structure of the national economy was 3,4% in the year 2001. In 1998, the production of foodstuffs and beverages accounted for 16.9 % of the overall processing industry output.

Since 1989, fundamental changes have taken place in ownership, production structure and organization of work in agriculture that focused until the 90tees on intensification of agricultural production. The latter based on establishing of large-size agricultural companies with total area of several hundreds and later even thousands of ha. On the beginning of the transition period in the early nineties, the agricultural policy focused on the transformation of collective farms, the privatization of state farms and food enterprises and on the settlement of restitution claims. Since 1994, agricultural policy has follow the intention of stabilizing and gradually developing rural areas. However, almost 50% of enterprises have not been viable for a long time. Nowadays, around 70% of enterprises face serious financial difficulties due high indebtedness and low liquidity. The current business structure in agriculture consists of transformed agricultural cooperatives (29,3% in 2000) and corporate farms (joint-stock - 21,6% of the arable land in 2000 - and limited liability companies - 21,7%) as well as private farmers (23,5%). Even though the average size of the transformed cooperatives has been gradually decreasing and the areas of state companies have been dramatically limited, large agricultural holdings still prevail in the Czech Republic: 60,81 % of the arable land is cultivated by 1.148 subjects (out of total 56.487) with arable land over 1.000 hectares. There is still a large-size production character of farming remaining in comparison with the European Union, despite the

process of transformation. Thus said, the low revenue and high indebtedness of the farms are the main structural problems.

Another perturbing consequence of the large-scale farming practices till 1989 is destruction of field roads and natural barriers, reduction of ecological stability of the landscape, devastation of agricultural soil funds by the erosion and by the loss of biodiversity. Besides, there is a need of consolidation of new production and property structures. The privatization of the agricultural land farmed by former cooperatives has not been yet finished and the property rights on land are not determined. The land ownership is significantly fragmented. The major part of the arable land, more than 3 400 000 hectares, is owned by physical persons or executives of joint-stock companies running a farm (52%) while the state owns about 800 000 hectares.

Concerning the situation in the rural areas, the Czech Republic is divided into 8 regions (NUTS II), 14 counties (NUTS III), 77 districts (NUTS IV) and 6.244 municipalities (NUTS V). Rural areas encompass 4,995 municipalities, i.e. 80% of the total 6,244 municipalities. The large number of municipalities is a typical feature of the Czech Republic. In the rural area live 66,5 % of the inhabitants of the Czech Republic and it comprises 90,9 % of the total area. Moreover, new rural micro-regions have emerged through a voluntary association of villages to cope with their common problems. Besides Prague which falls into the Objective 2, the rest of the Czech Republic can take advantage of the financing within the Objective 1. In rural areas, especially in smaller municipalities, we can register some negative demographic trends, negative migration rate, disparity of income between the rural areas and the cities etc. These structural problems have a negative impact on the labor market such as unemployment due to the lack of investments and the lack of employment in the agricultural sector. In consideration of the employment rate in the agriculture in the rural regions, the number of the people employed in agriculture shrank from 531 000 employees in farms in 1989 to 156.000 in 2001, which represents a yearly decrease of 5,2%. The impediments to this development include insufficient and costly infrastructure, low initial capital and poor availability of loans and guarantees.

3.2 Development of the SAPARD Programme

The relatively late official launch of the SAPARD Programme in the Czech Republic caused some real difficulties. Even though it was planned for the beginning of the year 2000 it had to be considerably delayed due to the uncompleted process of establishing of the SAPARD Agency as well as in regard to an essential delay in the adoption of the legislation necessary for the launch, as both, the EC and the administration of the Czech Republic, have considerably underestimated the situation. The MAFA between the EC and the Czech Republic was not signed before the 5 February 2001. As of the 1 September 2001a higher level of independence has been granted to the established SAPARD

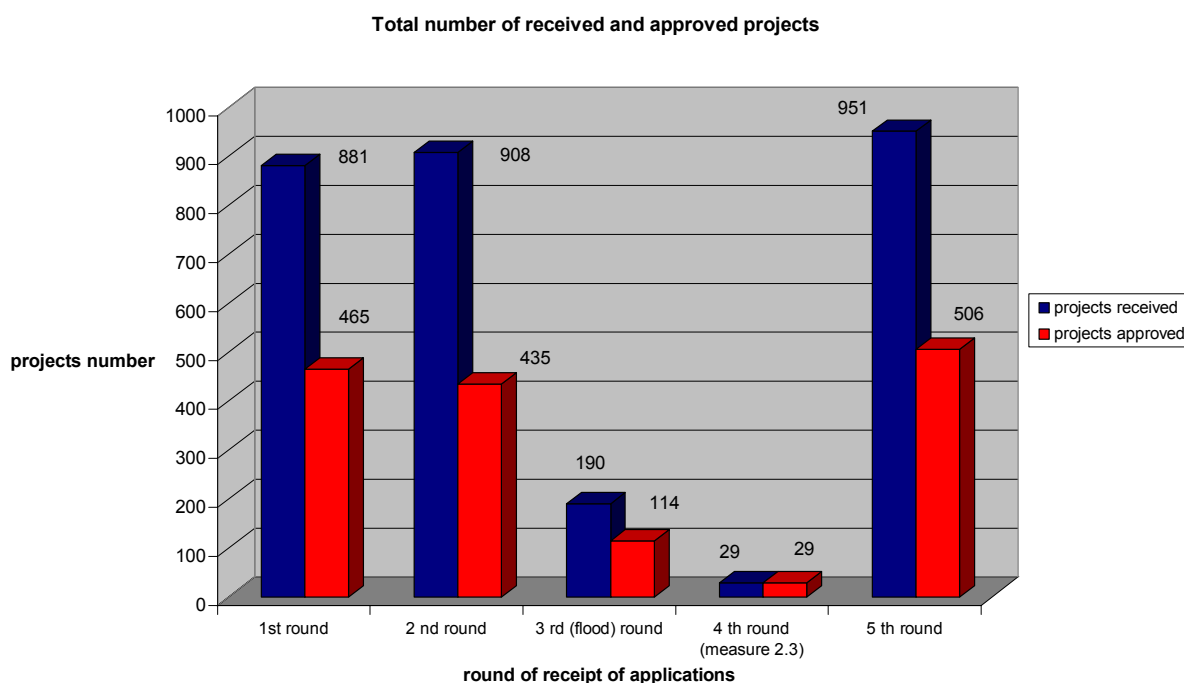
Agency that was directly subordinated to the MoA. The process of its accreditation² started officially on the 26 March 2001 whereas the official launch of the Programme had to wait one more year to be announced on the 15 April 2002 immediately on the date of the Commission decision on conferring management of aid on the SAPARD Agency³. Moreover, the responsibility for the Programme implementation has been shared between MoA and MRD⁴. As both domains have completely different methodology, forms, funding procedures, problems occurred in terms of harmonization of administrative system and repartition of competencies between these two ministries. Especially the latter demanded a lot of energy of both parts during the preparation of the Programme implementation.

With respect to the fact that the launch of the Programme was originally planned for 2000, the first seminars devoted to the final beneficiaries took part already by the end of 1998. The Programme was promoted centrally and regionally using a mix of mass and other media such as leaflets brochures, seminars and exhibitions each year, especially for the period 2001 to 2003. In 1999, about 100 seminars were already organized for auditors, the representatives of municipalities and farmers. In addition to that, web pages have been created providing very precise information on project plan, requirements on annexes and instructions for applicants for financial aid from the SAPARD Programme⁵. Until the launch of the Programme on 15 April 2002, the 5. edition of the publication on SAPARD Programme "SAPARD Programme in the Czech republic" appeared. In autumn of 2002, three TV programmes were broadcasted. However, according to the Mid-term evaluation about 80% of beneficiaries heard about the Programme through other sources than mass media⁶. It has to be also stressed that especially during the first round for receipt of applications the RO SA organized very flexibly in co-operation with the Agrarian chamber that is traditionally near to farmers additional seminars with high attendance. In general, the publicity campaign was very successful, the leaflets and materials were produced to a high quality and provided very detailed information on each measure. Nevertheless, regarding the time delay between promotion and implementation of the first round, many potential beneficiaries which had counted with the launch of the Programme in 2000 were pressed for time in terms of start-up of investments and found other financial sources. On the other hand, the early launch of the information campaign generated a high response rate of eligible applications requesting more funds than available. In the case of the agricultural measures, the demand has even increased in the following rounds.

Regarding the fact that the accreditation has not yet been attributed in 2001, the Czech authorities were allowed to carry out preparatory work on measures concerned in the framework of the national accreditation and under the national responsibility. Firstly, so called consultation round was launched on the 17 September 2001 and should continue till the Commission's decision on conferring management of aid on the SAPARD Agency. The applications under the measures 1.1, 1.2, 1.3, 1.4, 2.1, 2.2 were received for consultation without being administered. The applicants had the possibility to get assessed their projects on the financial health and on its feasibility by the administrators of RO

SA as well as to consult very in detail the project elaboration. Secondly, in June 2001 the TEST Programme fully financed from national sources was launched by the Ministry of Regional Development in two industrial regions with heavy structural problems Moravskoslezsko (Ostravsko) and the North-West based on two national programmes. This pre-round allowed to verify the administrative procedures before the launch of the Programme by accepting of project applications submitted by municipalities and enterprises in order to meet the requirements of the SAPARD measures 2.1 and 2.2. After the launch of the Programme, 6 rounds for receipt of applications for aid from the SAPARD were declared - first, second and third in 2002 and fourth, fifth and sixth in 2003 - as well as 5 rounds in 2003 for the measure 3.1⁷. In generally, in all rounds the demand exceeded considerably the funds allocated.

Figure 1: Total number of received and approved projects

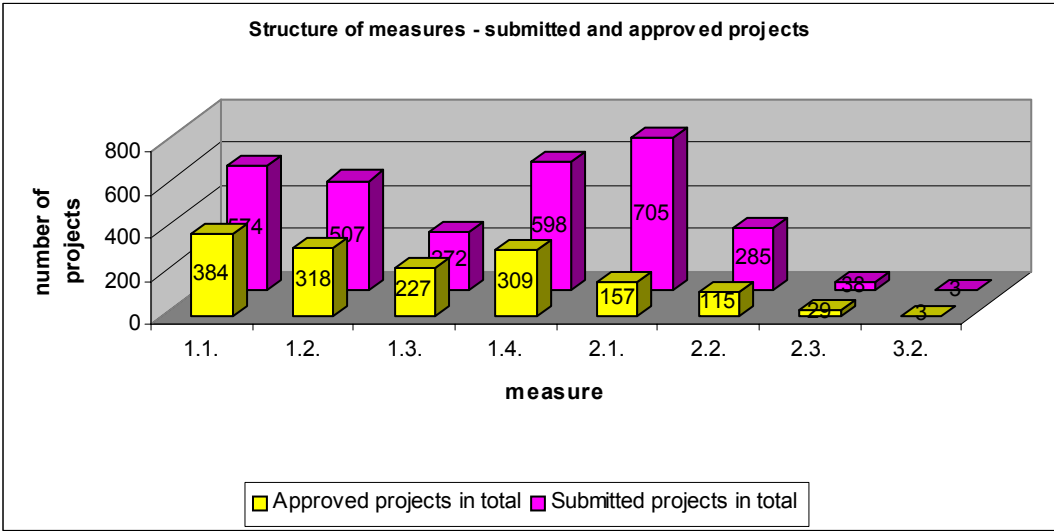


Source: Ministry of Agriculture, 2003

One third of the finances have been allocated in the rural development, these funds were however exhausted already during the first three rounds. In December 2002, an extraordinary flood round was opened to the farmers affected by the August floods who have been struggling with the lack of funds, limited availability of loans and unwillingness of the banks⁸. The criteria for submission of applications were not strict because some farmers have lost all documentation and could not prove their financial health. In the case of agricultural measures under the Priority 1 the number of submitted applications increased with each round (except the 3. extraordinary flood round) whereas the number of submitted applications under the Priority 2 on rural development was slightly decreasing.

Accordingly, the successfulness in the first round was in case of the agricultural measures about 90% while in the second round it was solely 60% since the competition became bigger in the course of the Programme because of the positive experience from the first round. On the contrary, the demand under the measures on rural development (2.1, 2.2) exceeding continuously five times the volume of

Figure 2: Submitted and approved projects by measures



allocated funds decreased considerably after a high proportion of projects was not approved in the first round. However, the successfulness remained constantly very low (20 till 40%).

The financial effectiveness of the programme is very high⁹ regarding the fact that there has been already an over-commitment of 15% made on the basis of the current development of "mortality" of approved projects. In this manner, the Czech republic was able to use up the total of 100% of the Community co-financing funds.

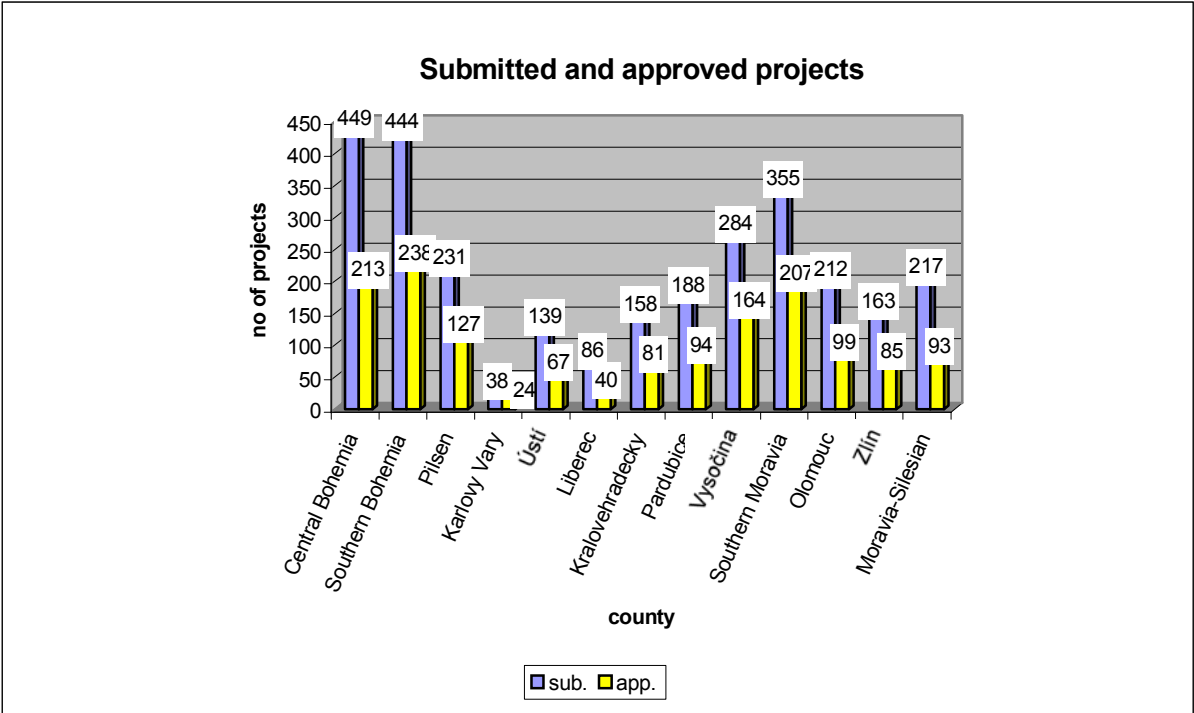
Figure 3: Reimbursed amount in 2003 by specific measures



The over-commitment of 15% has been possible as transfer of commitments due to the repeated contract withdrawals during the project implementation by the beneficiaries whose priorities have changed essentially after the accession of the Czech republic in the EU or in case of non-implementation by the beneficiary due to bankruptcy, closing of production, shrinking sales etc. In case of exhausting of funds, the projects will be reimbursed from national funds.

The analysis of regional distribution of project applications and approvals shows that there was a systematic difference in terms of number of projects submitted between counties with a high level of activity such as Central Bohemia, Southern Bohemia, Southern Moravia and Vysocina, representing rural regions with high share of agriculture, stabilized population and traditional social structures, and those with relatively low performance in terms of submitted projects such as Northern Bohemia (Karlovy Vary, Usti n. L., Liberec) and Moravia-Silesian County, having industrial character with low share of agriculture and high unemployment rate.

Figure 4: Regional distribution of submitted and approved projects



Source: Ministry of Agriculture, 2003

3.3 Implementation of the SAPARD Programme in the Czech Republic

3.3.1 Agriculture and Rural Development Plan (SAPARD Plan)

The plan of the Czech Republic on the SAPARD Programme was approved as Agriculture and Rural Development Programme by a Decision taken in accordance with Article 4 (5) of Regulation (EC) No 1268/1999 on 26 October 2000. Three priorities have been chosen in accordance to this

Regulation: Increasing the competitiveness of agriculture and the processing industry, including the quality and health standards, requirements of Acquis, Sustainable development of rural areas focusing on the environment and support to the diversification of rural activities and income and Conditions for full utilization of the Programme supporting the measures under the first two Priorities and the Programme implementation.

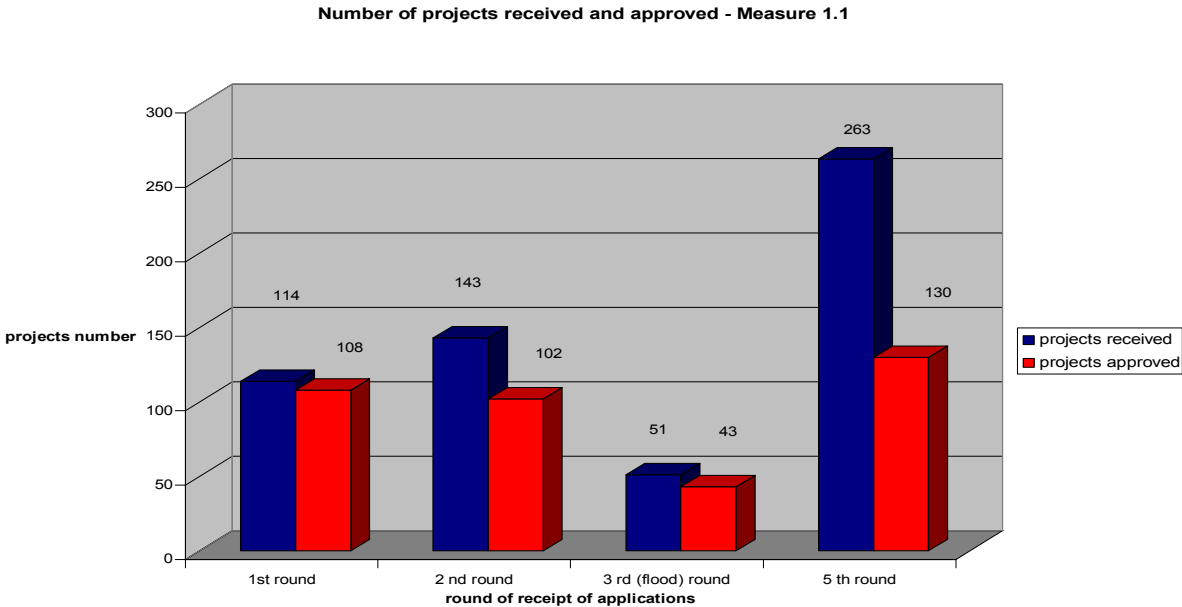
3.3.2 Relevance and effectiveness of measures

3.3.2.1 Priority 1 - Increasing the competitiveness of agriculture and the processing industry

The agricultural measures were designed in order to implement the acquis communautaire in the areas where the implementation is too slow and its failure could have led to a non-compliance of holdings with the requirements on standards and norms after the accession to the EU. As the improvement needs in this sector exceed considerably the funds allocated for the SAPARD Programme it was decided to reduce essentially the scope of eligible expenditures under the Priority 1 to satisfy at least the thorniest needs.

Within four application rounds 573 applications in total were submitted in the framework of the first measure on investments in agricultural holdings out of which 384 projects were selected which represents relatively high successfulness of about 60-70%. Regarding a relatively short implementation period, the effectiveness of all three sub-measures was quite high¹⁰.

Figure 5: Number of projects received and approved under the measure 1.1

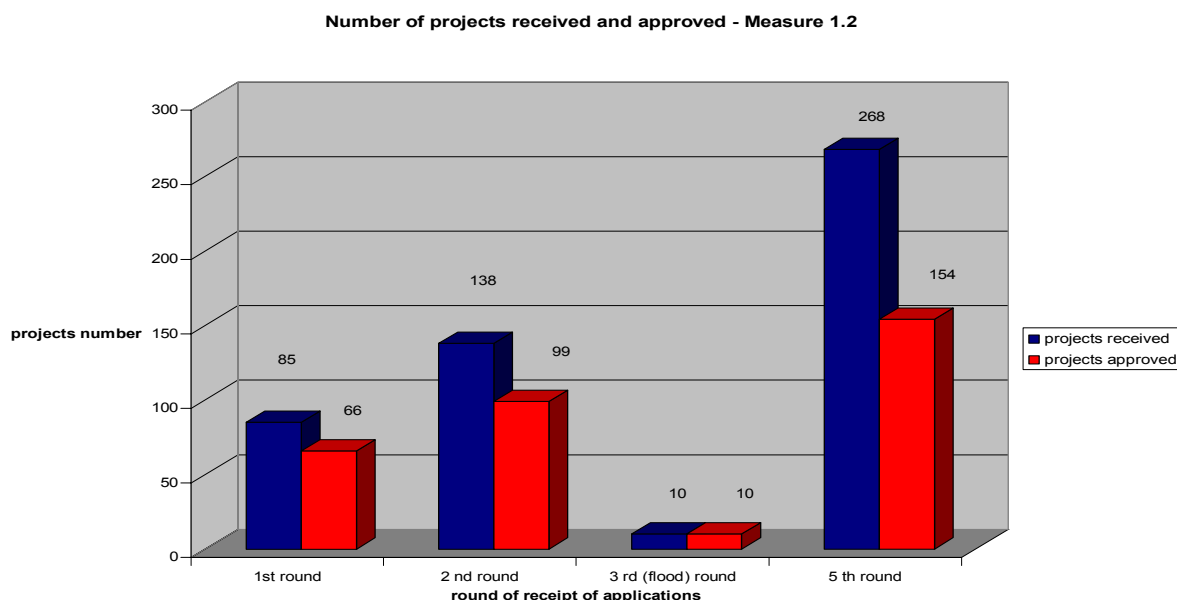


Source: Ministry of Agriculture, 2003

The measure 1.1 which is very relevant in terms of the sustainability of the primary sector¹¹. There is particularly little awareness of the required EU standards for animal welfare, hygiene and the environment in the Czech Republic that results in a poor implementation (1.1.1). There is also an urgent need of the improvement of storage of fruit and vegetables in terms of hygienic standards and modern storage technologies in order to increase the share of primary producers (1.1.2) and that of a reconstruction of slurry storage tanks in order to meet the requirements of the Nitrat-Directive 91/676/EEC till 2006 (1.1.3).

The second measure on processing and marketing targeted also the development of the primary sector and the food industry by modernization of technologies and by support to regional products. During the implementation period 329 projects have been selected which indicates a relatively high realization of 54 - 82 % of the operational objective of 400-600 projects.

Figure 6: Number of projects received and approved under the measure 1.2



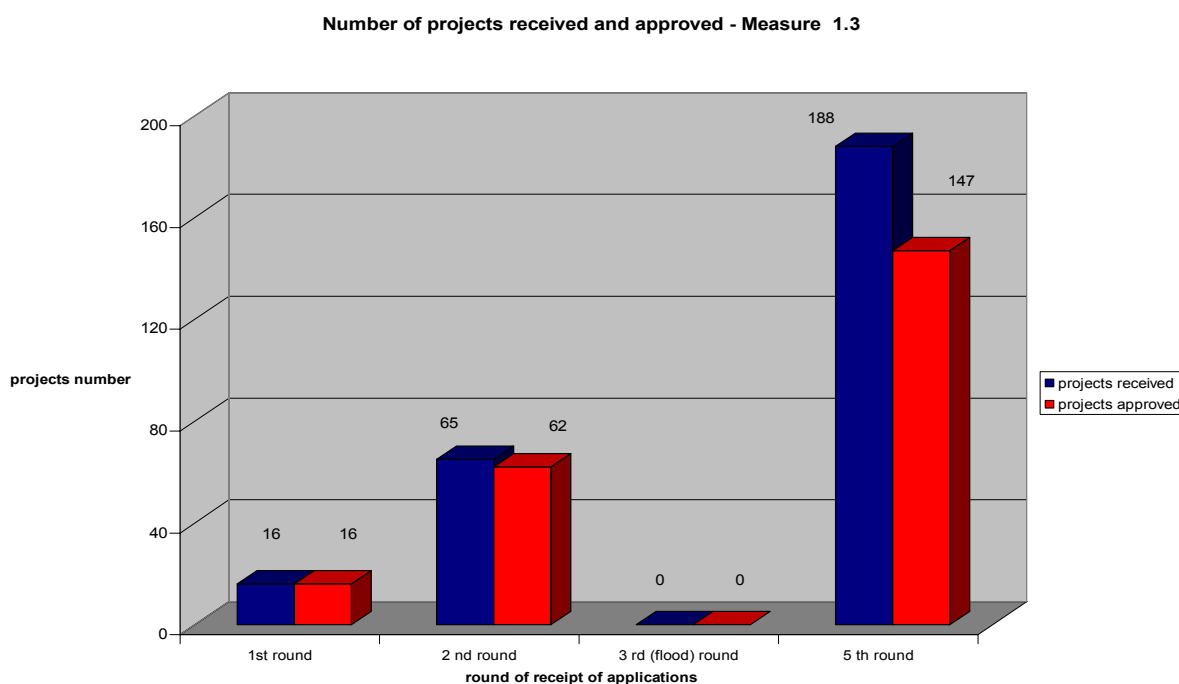
Source: Ministry of Agriculture, 2003

Event though the main shortcomings of all sectors of the Czech processing industry remain old technologies, non-compliance with EU hygienic standards, low quality of products and weak marketing, due to the limited funds available the measure had to be restrained on the meat sector, accounting the greatest share of the revenues from the processing industry (23,6%), as well as on the milk and fish processing accounting 14,9% and 0,6% of revenues. The sub-measure on support of processing and marketing of regional agricultural products¹² had a very low activity in terms of projects submitted (effectiveness 26%). The lack of interest in this measure results from a rather

complicated procedure of acknowledgement of the "regional affiliation" of the products persuading the farmers to choose the common processing methods.

The introduction of SEUROP classification of carcasses and of the HACCP system within the measure 1.3 on improving the quality control and consumer protection was also highly relevant as it aimed to strengthen the competitiveness and thus the sustainable development of the foodstuff sector. The sub-measure concerning HACCP was very effective, in particular concerning the milk sector¹³, whereas the sub-measure introducing the SEUROP system failed completely (effectiveness 5%).

Figure 7: Number of projects received and approved under the measure 1.3

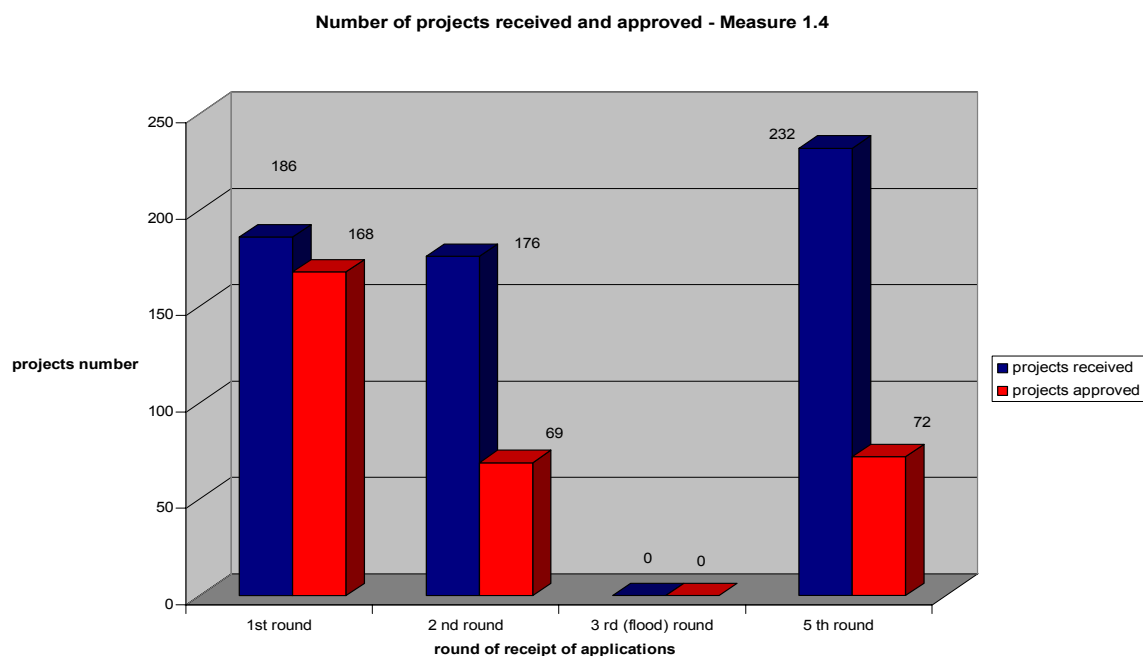


Source: Ministry of Agriculture, 2003

The lack of interest in the latter resulted on one hand from a non-optimal timing of the Programme launch regarding the national effective legislation¹⁴ and on the other hand from an existence of a national funding scheme covering 100% of costs for purchase of the SEUROP system whereas the SAPARD programme offered solely 50% of co-financing from public funds. Thus the majority of producers had during the implementation of the SAPARD Programme the SEUROP system already established and only a small number of producers who intended to replace the current established system for a SEUROP system entered into the SAPARD Programme. Therefore the weak participation in this submeasure has had no consequences on the preparedness of the Czech producers for the EU membership. However, regarding the low effectiveness the introduction of the SEUROP system financing by the designers of the SAPARD Programme seems to be questionable.

Under the measure 1.4 on land improvement and reparation 598 high quality projects were by Land offices submitted out of which 309 were selected during three rounds of the of project submission.

Figure 8: Number of projects received and approved under the measure 1.4



Source: Ministry of Agriculture, 2003

The consolidation of property rights of tenant farmers on land parcels, the functional and spatial changes of the parcels, their division or unification, ensuring of their accessibility and determination of their borders should have been ensured by the reparation process which has been set up in the Czech Republic in 1991. However, this process has not yet been accomplished. This has an essential impact on the agricultural investment. The leasing is not stabilized and is usually signed for short time periods which makes it very often impossible for the farmer to borrow or demand funds, in particular to adhere the agri-environmental measures. Thus the measure 1.4 is very relevant and the effectiveness of the implemented projects is satisfactory, especially in case of the sub-measure 1.4.1 where the measure was realized by 43%¹⁵. Thanks to the support, in some districts the reparation process has been accomplished while creating a unified digital card.

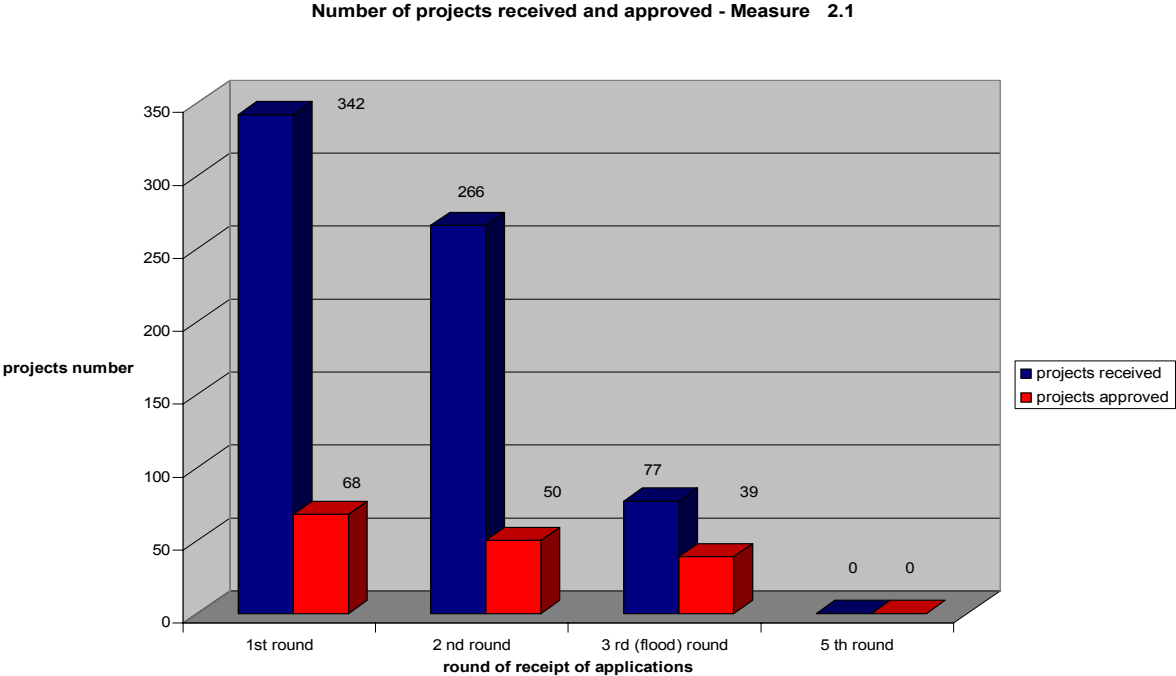
Concerning the measure 1.1, especially the projects implemented under the sub-measures 1.1.1 and 1.1.3 had significant environmental impact even though the primary objective of the investments is not support to environmental farming. The measure 1.3 had a significant impact on environment as it concerned hygienic norms. As for the measure 1.4, there is no significant evidence of direct effect on the environment, however, the more efficient transport of farm input and outputs thanks to the construction of new roads will limit a negative impact on the environment. In general,

the big agricultural holdings were better prepared and reacted more flexibly (measure 1.1) than the processors even though the latter had essentially better capacities to implement the projects (measures 1.2 and 1.3). Significant has been procrastination of food processing holdings that have not been put under adequate pressure by the state on the other hand.

3.3.2.2 Priority 2 - Sustainable development of rural areas

In general it can be stated that the measures on rural development (2.1, 2.2) under the competence of the MRD were too wide-cut. This resulted from an essential difference between a very exactly set up agricultural measures with tightly fixed eligible expenditures under the Priority I on one hand and wide-cut measures on rural development on the other hand, allowing to finance a wide range of very heterogeneous projects that reached from the purchase of a bus over the reconstruction of a historical building to the construction of a home for the aged. The absence of tighter delimitation of eligible expenditures resulted in an excess of applications of which only about 22% were approved. The development of villages and rural infrastructure which is subjects of the measure 2.1 is highly relevant regarding the urgent needs of improving the competitiveness of rural areas and of the rural infrastructure in the Czech Republic as well as in terms of implementation of the CAP¹⁶. In total, 704 projects were submitted by the municipalities, the sole beneficiaries under this measure, of which solely 200 were approved as the demand highly exceeded the allocated funds.

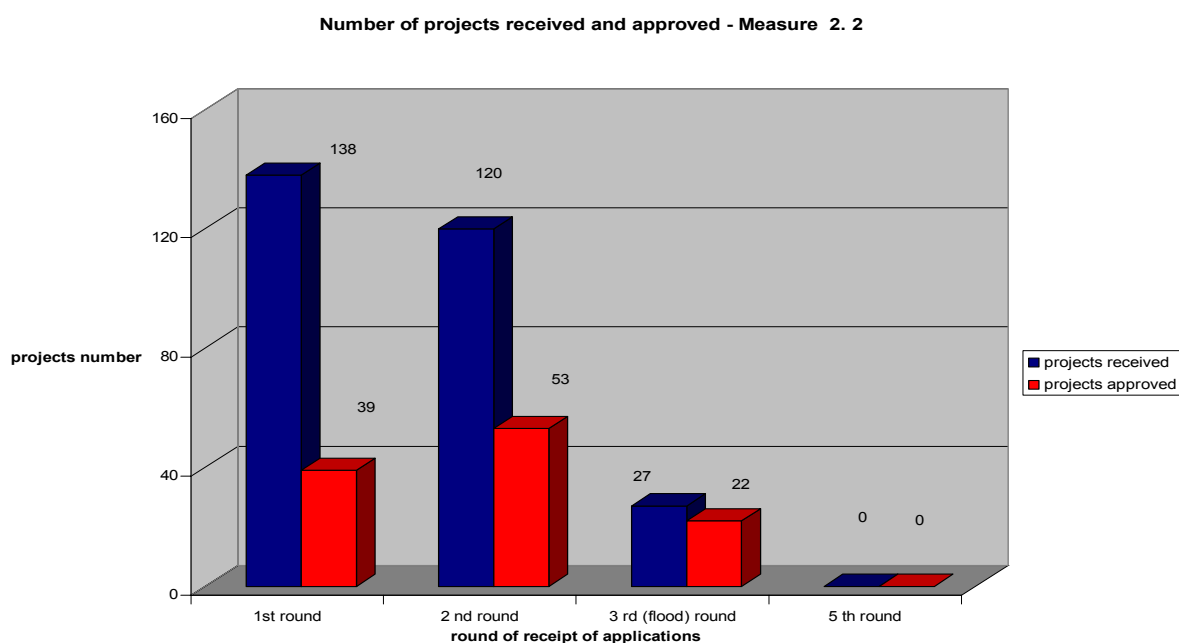
Figure 9: Number of projects received and approved under the measure 2.1



Source: Ministry of Agriculture, 2003

The majority of the projects supported old building renovation and reconstruction and renovation of rural infrastructure. Big accent has been put also on the multifunctionality of projects. However, according to the Mid-term evaluation the effectiveness cannot be assessed because no operational objectives have been identified. Furthermore, the measure 2.2 focusing on the development of rural private businesses was also highly relevant regarding the national priority of support of establishment and development of small and middle-sized businesses (SME) and of the diversification of business activities in order to ensure sustainable development of rural areas and its depopulation related to the decrease of agricultural production. Nevertheless, the measure has been focused rather on support to existing businesses as from 147 projects approved under this measure whole 61% of funds were allocated to the development of the existing SME.

Figure 10: Number of projects received and approved under the measure 2.2



Source: Ministry of Agriculture, 2003

The effectiveness is not very high regarding the number of projects expected in the SAPARD Plan¹⁷. This measure has been however very effective in terms of job creation: 1,600 permanent jobs have been created representing 80% of the operational objective set in the SAPARD Plan.

Under the Priority 2 the measure 2.3 on agricultural environmentally friendly production methods has been implemented in 5 landscape-protected pilot areas with differences in geographical, natural and farming factors¹⁸ in order to assure a diversity of management types. By implementing of this measure the state authorities aimed to gain experience with the future implementation of the agri-environmental programmes (HRDP). It was designed in a very complex way in order to test specific management practices tailored to the needs of each area selected¹⁹. It

has to be stressed that this measure was highly relevant regarding the main environmental threats in the Czech Republic as land abandonment, changes of management, high share of arable land and intensification of agricultural production as well as it was coherent with Council Regulation (EC) 1257/1999²⁰. Even though there was a lack of support by the Ministry of Environment with respect to the delayed implementation of Natura 2000 network developed and designated under the Birds and Habitats Directives, these directives have been already taken in consideration by designers of the measure in some pilot areas (i.e. protection of birds in Poodri). In total, 36 projects were approved while solely in two of the pilot areas²¹ the operational objective has been reached.

3.3.2.3 Priority 3 - Conditions for full utilization of the Programme

As for the measure 3.1 on vocational training, the project selection was done by the Institute of Agricultural and Food Information, a state allowance organization (beneficiary) which prepared calls for proposals for training activities provided by registered educational subjects. The measure was highly relevant because the financial support was intended to contribute to the improvement of the knowledge and skills of farmers and foresters and persons involved in other activities in the rural landscape as well as for quality experts. As the scope of basic vocational themes announced under this measure by the Managing Authority covered and even exceeded the whole scope of activities of the Programme it can be stated that this measure is highly coherent with Priorities 1 and 2. Nevertheless, in regard to its relatively late accreditation²² that delayed considerably the launch of the calls for proposals and the implementation of projects its effectiveness is not yet to be evaluated. Besides a very demanding tender procedure in terms of administrative requirements to be done in a very short time period, ÚZPI was bound by an EC Manual Calls for Proposals prescribing a selection out of at least 3 candidates²³ per each vocational theme. Regarding not very motivating conditions for training bodies to enter into this measure not being of benefit (the eligible expenditures covered solely the running costs²⁴), almost a half of vocational themes has been eliminated due to the lack of three quality projects to be submitted per each theme. In total, 34 contracts have been concluded in 2003 of which 19 have been already implemented. Nevertheless, the attendance of seminars was very high, in particular that just before the accession day on 1 May 2004. This gives evidence of a big interest among the final beneficiaries. Moreover, the design shortcomings in terms of tender procedure have been to a big extent removed in the OP RDMA on the basis of this SAPARD experience. Nowadays, the applicants can submit solely a frame offer in the first round and the elaboration of a detailed project is not necessary until the decision of an acceptance of the offer.

The measure 3.2 on technical assistance is relevant as it covers the operational tasks of the Managing Authority related to monitoring and evaluation²⁵. Even though the results of the implementation of this measure cannot be yet evaluated, it can be anticipated in terms of its design that

the operational objectives will be achieved. Monitoring activities on agri-environmental matters establishing reference baseline situation for pilot projects to be implemented under the measure 2.3 are highly relevant. Nevertheless, as regards the fact that no monitoring activities concerning other measures are covered under this measure, the quality of the monitoring system will be improved only in relation to the measure 2.3. Also NMC meetings and annual reports²⁶ are relevant and indispensable activities for the Programme implementation. In terms of effectiveness, the annual reports are of high quality and provide complex information on Programme's implementation. On the contrary, according to the Midterm evaluation the utility of the project "Communication strategy of NGO" in terms of recommendations is very low and unsatisfactory and is focused on one restricted target group. To conclude, the measure on technical assistance contributes to a high extent to the facilitation of Programme's implementation, the design of this supporting measure lacks however for cross-cutting approach across the measures.

3.3.3 Assessment of achievements and deficiencies

Already the consultation round had unfolded the trends and deficiencies which turned out later in the course of ordinary rounds, such as a high number of quality projects for the measure 1.4 on land improvement and reparation by the state Land Registers experienced in submitting projects and, on the contrary, the lowest number of submitted projects registered for the sub-measures on regional products and SEUROP system. The lack of well-elaborated projects resulted partially from procrastination of farmers inexperienced in demanding funds who did not take advantage of free consultation service at their disposition. The farmers were also often discouraged by the volume of information required to accompany an application for projects of any size. In order to ensure that the applicant would be able to implement the project correctly all necessary, very costly annexes such as feasibility study, an written undertaking of the bank to grant credit, indebtedness certificate, building license have been required by state authorities together with the application submitted without any guarantee of its selection²⁷. On one hand, for the administration bodies it was not possible to require the annexes after the approbation of the project in order to spare the unsuccessful applicants from unnecessary costs. In case of their non-delivery the committed funds should have been namely reallocated which would have demanded a new selection procedure. On the other hand, in the case of small-sized projects the volume of requirements did not correspond to the risks associated with the granting of aid.

The pre-round showed up also a very important unsettling tendency of a predominant submission of projects by big agricultural co-operatives whereas the projects of smaller operators were missing. There is solely a low number of SME in the Czech Republic²⁸ and their technical level and human resources do not meet the programme's requirements. Besides the lack of experiences and capacities for elaborating of a good project as well as no available funds for financing professional

consultancy²⁹, the main obstacle was the economical instability of SME having lower chance to have access to bank credit as they were not able to pass their rating process. Moreover, in accordance to the scoring criteria for measures 1.1, 1.2, 1.3 the large and stable companies with long history got assigned more points. The tendency to support to a larger extent already established stable holdings was monitored also in case of the measure 2.2 on development and diversification of economic activities.

In general, the implementation of agricultural measures has been very effective and efficient. Concerning the efficiency, animal welfare has been significantly improved on the farms that have invested under sub-measures 1.1.1 and 1.1.3. Concerning the hygienic norms, the quality of the produced products has moreover increased considerably and 64,4% of the beneficiaries are in compliance with the EU standards thanks to the support³⁰. As for the processing and marketing measure, positive effects are monitored in terms of more rationalized use of production factors, improved product quality, decreased production costs and created job due to the support. Nevertheless, it has to be stressed that the investments under these three measures were focused on a short-term survival in the perspective of the EU membership. The implementation of *acquis communautaire* has brought however the effects of sustainability by increasing of competitiveness of a considerable part of Czech producers³¹ on the EU market. It has to be pointed out that the amount allocated to the sub-measure 1.3, aiming to enable the individual companies to meet the requirements for being listed in the A1 group (able of export to the EU), have not corresponded to the estimated total funding needed in the Czech Republic³². Regarding to the small-scale character of the SAPARD Programme its main role should be seen in set-up of the administration system for funding from structural funds after the accession which is expected to have a greater impact on the all agricultural sectors in the near future.

Also the support under the rural development measures has brought very positive effects in terms of increasing the quality of life for the local population, preservation of rural heritage, creating new jobs opportunities and the development of existing SME and thus the sustainable development of rural areas. On one hand, the scope of eligible expenditures was too wide regarding a very limited funding appropriated to rural development measures (1/3) and was not based on identifying of the real, most urgent needs of the regions. On the other hand, the implementation of rural development measures helped to identify the most urgent needs for the next programming period and the EC structural assistance. Nevertheless, a certain discrepancy has been monitored between the measure level and the implementation level due to the unrestrained set-up of the measure. The financed projects have not much attributed to the diversification of farm activities as only few projects on agri-tourism, on regional non-agricultural products and on production of alternative energy sources have been supported. The measure focused also on start-up of new businesses and diversification of farm income whereas after the Programme implementation the diversification of farmer's activities and rural tourism each account for less than 10 %. Thus the traditional economic structure remained conserved.

In general it can be stated that the Programme was set up a very large extent in favour of (partially larger) existing businesses, regarding both the agricultural measures and the measures on rural development.

Concerning the agri-environmental measure, besides overlapping with the national agri-environmental scheme 505 leading to a low participation in some areas³³ which should have been considered by designing the measure, the low participation of farmers resulted from the lack of experience with the implementation of more complex land management among local authorities and farmers. Nevertheless, irrespective the fact that the main objective of the measure 2.3 has been to test the whole scope of future horizontal agri-environmental titles in small scale areas by including specific local management, the potential scale of agri-environmental activities in the Czech Republic is quite large, and it is not evident whether 5 pilot areas projects could have provided sufficient experience for HRDP.

Another important obstacle, the unwillingness of banks to offer loans to private entrepreneurs, especially in agriculture, has been partially overcome in the course of the Programme as the banks took in consideration the profitability of the repayment of one-half of the credit³⁴ right after the project realization. However, the banks should have been better prepared by national SAPARD authorities before the launch of the Programme in order to take in account the guaranteed repayment of the funds. Also in this concern the larger enterprises are favoured in terms of the interval between claim and payment because they can afford to wait longer for reimbursement of project costs in case of delayed payment. This problem has been even more relevant in OP RDMA: regarding the possible insolvency out of the power of the state administration³⁵ the clause of the term of 3 months for reimbursement laid down in the SAPARD Plan has been even exempted from OP RDMA.

To conclude, the main role of the SAPARD Programme has to be seen in the preparation for set-up of the administration system for OP RDMA. Regarding the small amount of funds allocated for SAPARD it is difficult to quantify at this stage the consequences that the Programme had on the Czech agriculture³⁶ whereas the impact of the implementation of the new CAP in the OP will be much stronger taking in account the high share of funds allocated to investment to agricultural holdings and processing following the SAPARD Programme. Nevertheless, the tendency of the Czech government to favor the primary production is no longer sustainable as the farmers should consider other sources of live subsistence by means of diversification of agricultural activities. The first round of OP on purchase of agricultural machines opened in 2004 showing the demand exceeding considerably the funds allocated has also confirmed the experience gained in the SAPARD Programme that the eligible expenditures have to be tightly delimited in order to use the agricultural funds granted by the EC more effectively.

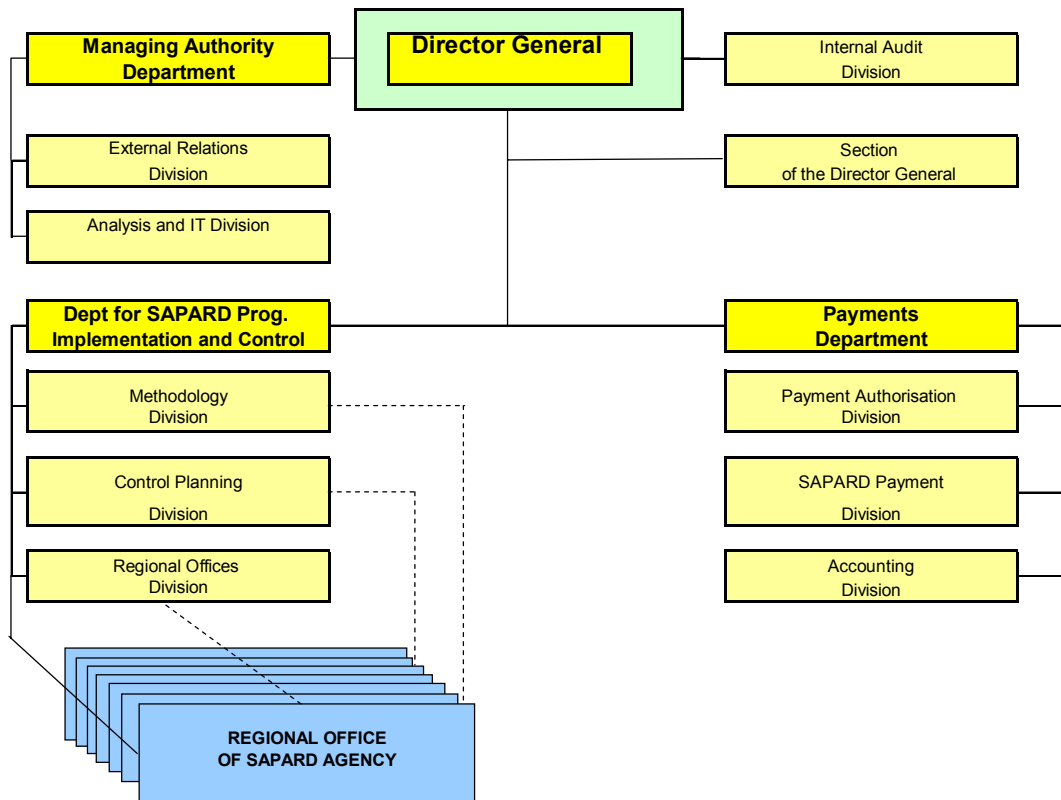
3.4 Implementing structures and procedures of the SAPARD Programme

3.4.1 The structure of the SAPARD Agency

Pursuant the Commission Regulation (EC) No. 1268/1999, a single SAPARD Agency has been established, being responsible for both SAPARD implementation and payments. Apart from the independent Internal Audit Division directly subordinated to Director General, there were three main departments established, namely the Managing Authority Department, Department for Implementation and Control and Payments Department. The functions of authorization, payment and accounting were separated in three subdivisions of the Payments Department and the responsibilities for project approval, authorization and payments were not carried out by one administrator as it was required in the MAFA. The Department for SAPARD Programme Implementation and Control divided in Methodology Division, Control Planning Division at central level and Regional Offices Division managing 7 regional offices at NUTS II level ensured the Programme's central controls planning and methodology. The projects were checked for completeness at regional level³⁷ and after approval by the Regional Selection Subcommittee handed over at central level for final selection by National SAPARD Selection Committee. At the final stage, the contracts were signed by the Director General. Except for the payments and drawing up of contracts, the majority of the administrative tasks have been decentralized and the responsibility for it was handed to RO SA³⁸. In accordance with the MAFA, separate bodies were established, namely a Managing Authority, Implementing Body, Paying Agency and Internal Audit Division. The task and responsibilities related to the implementation of the SAPARD Programme have been elaborated in great detail in the Operational Manual, an intern working document for all staff involved with the Programme implementation, containing more than 1000 pages and having often rather hindered the administrative procedure than facilitated.

Figure 11: Organization Chart of SAPARD Agency

Organization Chart of Czech SAPARD Agency



KEY:

- line management
- functional management

Source: Ministry of Agriculture, 2003

In order to ensure the monitoring of the Programme, a National Monitoring Committee comprising of 25 members (representatives of governmental and non-governmental institutions) has been set up as well as eight Regional Monitoring Sub-Committees at the level of NUTS II regions. Except for representatives of ministries participate in the NMC also representatives of associations and chambers³⁹ related to the agricultural and food sector and having right to vote. In the course of the Programme 7 meetings⁴⁰ have been held dealing with themes and topics set in MAFA (in particular selection procedure, monitoring and overview of financial plan). The absence of higher officers exceeding sometimes one third of permanent members disabled the body for some moments to take decisions. During the second meeting of NMC a requirement was expressed to invite the representatives of regional monitoring subcommittees to participate in the meetings. This way, the passing on of information from the national level to the regional has been improved. Furthermore, a computer database with graduated access has been developed interconnecting the regional offices with the central office. The latter has access to data from all regions whereas the regional offices solely to information on their own registered projects. Except for input and updating of project data after

completion of on the spot controls, the database also records financial commitments and payments from the SA and it is capable to report the financial and physical outputs.

3.4.2 Project administration and control

Concerning the submission of applications, a massive project submission by farmers took part generally during the day of deadline and for the understaffed team of RO, especially in regions dealing with a high number of submitted applications; it was very difficult to deal with. As the farmers brought all documents on hard copies, the employees RO SA had to input the data into the computer which was very time-demanding. From the point of view of beneficiaries, the co-operation with administrators at regional level has been however assessed as excellent. RO SA provided information on how elaborate the project, helped to assess the financial health of the holdings of beneficiaries, helped with the collection of all necessary annexes. Without their willing attitude and this extraordinary service exceeding the obligatory office agenda⁴¹ more than a half of beneficiaries would not have got the grant. The source of this enthusiasm originated in a large extent in the awareness of national interest to use up the funds available. Nevertheless, during the first two rounds the legal conditions (term of submission of application, of notification, of payments and reimbursement) changed perpetually. This compounded the confusion of beneficiaries that were themselves bound by obligations vis-à-vis the state. This legal gap is considered by beneficiaries as unpreparedness of the state. Typical was the unwillingness of state authorities, especially at the national level, to assume full responsibility and to communicate the up-to-date conditions and rules to the beneficiaries.

Regarding the limited funds allocated for SAPARD, three levels of project assessment were set in order to satisfy at least the best quality projects: eligibility criteria, scoring results and complementary criteria. The fulfillment of eligibility criteria was an indispensable condition for the recommendation of projects by the Regional Selection Sub-committee for next selection procedure steps while the scoring results determined the ranking of the project on the list of recommended projects. At national level, it was necessary to set additional criteria in order to decide of granting aid in case of more projects submitted, having the same scoring results and coming from different regions. In this system, besides the degree of financial health (the healthier the better) which was itself already scored, the crucial additional criterion for the passing the funding limit was the total amount of demanded public contribution financing⁴². Smaller projects were generally preferred. This practice showed, firstly, at regional level the uselessness of the Regional Selection Sub-committees as their role was practically only to approve and to pass over the list of projects scored by the subordinated administrators without having any real influence on the results. Secondly, the weak point at the level of the NSC was on the contrary the possibility of influencing the final project selection in regard to the regional affiliation of projects as each voting of a commission allows subjective concern.

Furthermore, it can be stated that the scoring system as well as the controls⁴³ have been focused on administrative compliance and verification rather than on quality criteria. The control is concentrated on the administrative, purely formal check of accounting books and the project outcomes corresponding to the eligible expenditures disregarding the quality of its accomplishment⁴⁴. Thus in order to assure the required multifunctionality⁴⁵ of projects on rural development, the project objectives reflect often the selection criteria published on internet in the course of the Programme. Furthermore, for the purposes of controls there were clear-cut and evident criteria set for agricultural measures which could be answered unambiguously yes/no and did not allow any interpretation. On the contrary, in the case of the projects on rural development the rules themselves designed by MRD had to be interpreted by officers of MoA at the regional level, responsible for on the spot controls. Thus said, the co-operation of MoA with MMR at the regional level was in general quite problematic. On one hand, its administrators at the regional level executing the delegated tasks related to the assessment of the projects on rural development were independent and were not subordinated to higher officers of the RO SA. On the other hand, their actions had consequences on the work of RO SA, i.e. on the planning of controls under the competence of MoA.

To conclude, the Programme administration has been set up in compliance with the EU requirements and has turned out very effective. However, the administrative procedures were elaborated too complex hindering often an effective implementation executed by generally very flexible staff.

3.5 Transition from the SAPARD Programme to EC funds oriented to agriculture

3.5.1 Transition to EC structural and non-structural assistance in agriculture

The SAPARD programme represents a very precious experience for the transition to the structural funding, especially for the OP RDMA which has been built on the basis of its implementation system. The continuity of personnel and hereby of transmission of achieved experiences and best practices remained in general at both levels, both regional and national. In the regional offices, the staff executing the administration of the SAPARD programme has kept its agenda till the completion of the implementation of the SAPARD programme with the last ex-post controls in 2006 and has taken on the tasks related to the administration and to the controls of the projects submitted in the framework of the RDMA. However, besides a very operational application of the best practices and lessons learned from SAPARD in the current funding system, a certain discontinuity has been also monitored in sharing experience achieved in the SAPARD programme by some key persons who changed over from SAPARD to another agenda.

The SAPARD Programme featured more or less the measures which appear in the Operational Programme, except for setting-up of young farmers, forestry and water management. The practices

applied in the SAPARD Programme represented the main source for the implementation of the Operational Programme. Nevertheless, there are some changes in the implementation system based on the deficiencies uncovered in the SAPARD Programme. The selection committees at the regional level and at the national level did not approve themselves; therefore they were dissolved in the Operational Programme and replaced by a mechanism of project scoring on the basis of clear and distinct scoring criteria. Moreover, the additional criteria for projects at the same scoring level coming from different regions have been introduced in the regularly scoring system. While good financial health was a necessary selection criterion for the project admissibility in the SAPARD Programme without being scored, in the first round of the Operational Programme it has been scored (group A, B, C, D) and hereafter it has played a key role of an additional criterion in case of shortage of funds. Regarding the negative experience with the last-minute application submission by farmers, the second introduced additional criterion introduced in the OP was an on time application. The earlier the applicant has been registered the better. The practice concerning attribution of each percent less of demanded public contribution proved itself and was reinforced by more favourable conditions for young farmers and farmers running a farm in LFA. In such a case, a farmer can get till 15% of public contribution funding more (5% young farmers, 10% LFA) and gain a better score by their deduction from the final increased percentage of aid. On the basis of the experiences gained in the SAPARD Programme the control system has been also changed. With regard to the fact that ex-ante controls in 100% of cases turned out as very time-demanding, they are executed only in urgent cases⁴⁶. The planning of controls has been decentralized and it is executed at regional level and submitted for the control at the central level. Moreover, in order to facilitate the project submission to the applicants of aid, the requirement on submission of original documents has been abandoned and has been replaced by declaration of honour

Opposed to that, there are some practices which have approved themselves. In the SAPARD Programme the economic viability belonged to the eligible criteria whereas in the OP it is scored and on the basis of a special calculation that is not published, additional points are attributed to projects with a higher viability. However, this system favours again bigger holdings having funds available for financing an expert on financial analysis. Therefore, an option has been considered to revert back to the above mentioned SAPARD solution. The same, in the SAPARD Programme it was set up in the regulations that the beneficiary would get the money reimbursed within three months after the application. This device had to be abandoned regarding the insolvency of the Paying Authority, the National fund, not receiving in time the co-financing contribution of the European Commission. However, this causes big problems for the beneficiaries having obligations to pay in time to their providers.

As it concerns HRDP and SRDP, the implementation of the SAPARD programme has been a very precious experience for the administration rather in terms of getting used to general mechanisms and rules of EC funding, such as four-eyes-rule, audit, on-the-spot controls etc. The implementation of

the agri-environmental measure has helped essentially with setting up of the implementation of HRDP on the level of programming document. However, as opposed to the measure 2.3, the HRDP measures are implemented horizontally and the applications are submitted yearly and once they are in compliance with all requirements they are granted automatically. Except for the setting-up of producer groups and early retirement measures, the control is based rather on measuring and rules observance than on the control of administrative compliance and accountancy. The continuity with SAPARD has been maintained particularly on the level of trained staff. Concerning SROP, the implementation of rural development measure in the SAPARD Programme has been significant especially regarding specifying of regional needs at the level of programming document and designing of measures. Thus the experiences from the SAPARD measure 2. 1b) has been used by laying down of conditions for the SROP measure on rural infrastructure to which most funds have been allocated. Nevertheless, project selection procedure and administration have been set up on a different basis and differs essentially from that for OP based on the SAPARD administrative procedures.

3.5.2 Transformation of the SAPARD Paying Agency to the CAP Paying Agency

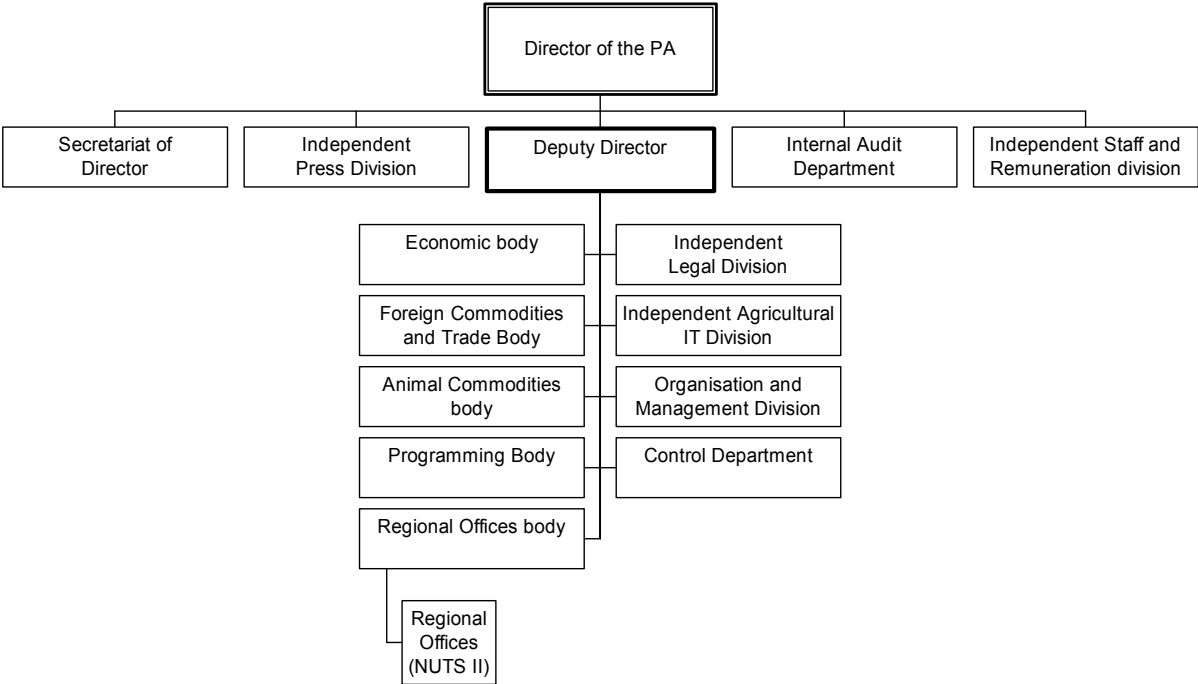
Originally, two have been intended in the Czech Republic, one at the MoA, the other in the State Agriculture Intervention Fund (SZIF). Finally, a decision about their unification has been taken. The SA has been transferred under SZIF as of the 1st January 2004. This transfer was only about organizational change, the right and obligations of the SA arising from the signed contracts remain unchanged. At the same time, the activities of employees and competencies necessary for ensuring of institutional structures of the established CAP paying agency have been transferred. The RO SA have become a part of regional divisions of the fund but it has remain in the competence of the SA. The former heads of the RO SA have become regional heads of Programme. The transfer of the SA under the SZIF was preceded by an appointment of Managing Authority for the Operational Programme RDMA and it was decided to merge the former SAPARD Programme Managing Authority with this newly established department as of the 1 July 2003. This new independent SAPARD Programme Managing Department has been established as a coordination unit for the activities related to the implementation of the Programme.

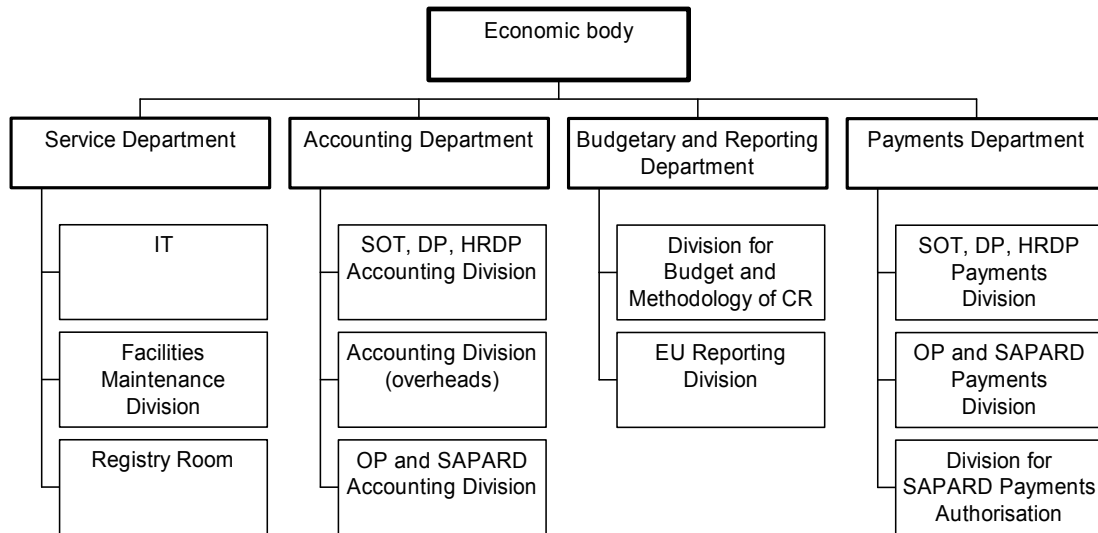
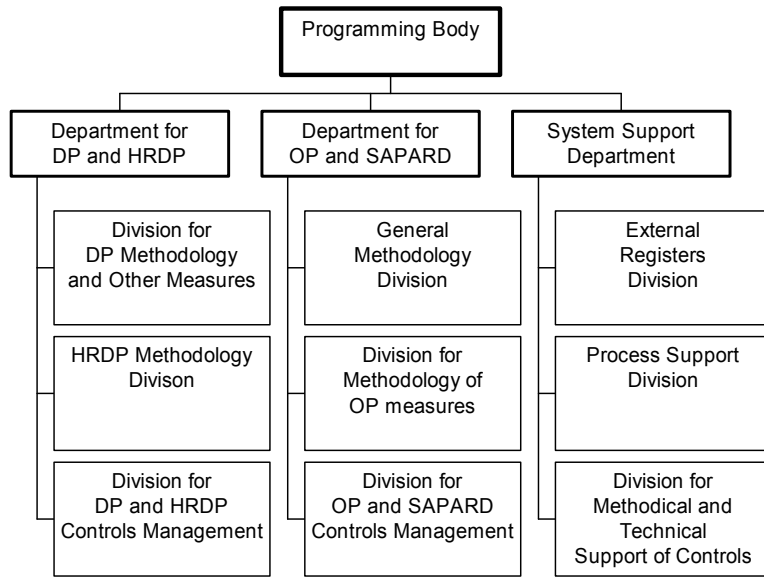
The former Department for SAPARD Programme Implementation and Control has been transformed in Department for OP and SAPARD that is part of Programming Body of SZIF. The former 7 RO SA have become part of 7 regional departments of SZIF and are directly managed by the Regional Departments Body. Concerning the methodology, its employees are however still subordinated to the Independent Division for SAPARD Management that has replaced the former division of director general of SA as well as to the Department for OP and SAPARD⁴⁷. Apart from the OP and SAPARD Department, the Programming Body comprises also Department for HRDP and Direct Payments and System Support Department for controls in the guarantee section of EAGGF. OP

and SAPARD Accounting Division as well as OP and SAPARD Payment Division are part of accounting and payments departments for direct payments, HRDP, OP and SAPARD, falling under Economic Body of SZIF. Internal Audit Department is directly subordinated to the Director General of SZIF.

On one hand, the transformation of the SAPARD Paying Agency has been realized very effectively while using current functioning system of an existing fund as well as established structures and mechanisms of the former SAPARD Agency, in particular as regards the OP RDMA. Besides a reorganization of existing departments an adjustment of internal rules of the SA (Operational Manual) had to be done to adhere the system of internal directives of SZIF. On the other hand, the staff of some key bodies such as Managing Authority has changed, thus cutting partially the continuity of achieved experiences and the information flow towards co-operating bodies.

Figure 12: Organization Chart of SZIF





Source: Ministry of Agriculture, 2003

4. Policy options

Regarding the agricultural market saturation and low economic profits with uncertain future, alternative incomes through extension of farming activities have to be ensured, such as ecological farming, processing and marketing of regional products and ecotourism, in order to diversify the local economy. In the Czech Republic, the carrier of revenue generating activities alternative to the primary agricultural production are very often SME whereas the large processing holdings or cooperatives are specialized in large-scale production without any alternative sources of income. Therefore a multi-sectoral programme should be created in order to support the development as well as the establishment of small and middle sized businesses in the rural areas to achieve a bigger offer of non-production rural activities and thus a bigger attraction of rural areas.

To ensure the access of the SME to the funding, the administrative procedure for small-scale projects must be simplified and should be introduced as a simpler system in addition to the current one. There is a long set of procedures to be followed from the submission of application for aid until the decision of granting. In regard to the low risks associated with the submission of small-scale projects, the requirements on information provision should be less strict and the project elaboration should be simplified. As a model should be provided a very simple small project⁴⁸ that could be elaborated by the beneficiary himself without aid of costly professional advisory services. Moreover, the assessment of the financial health should be also simplified. In this manner, even the applicants would participate who might not have the financial and human resources at their disposal to meet the Programme requirements or who would decide that the cost and effort is not worth it. This simplified system could be introduced as a separate measure for small businesses. Furthermore, the state authorities should certify a certain number of consultants defined by an authorization for consultancy activities and present in the regions in order to ensure the quality of consultancy services. During the implementation of the SAPARD Programme in the Czech Republic, the services provided by "professional" consultants differed essentially in the quality degree and the applicants were subjects to unfair conditions set by the consultancy companies. The state should ensure the protection of beneficiaries of public funds.

As it concerns the rural development, the idea of microregions should be supported more effectively by ensuring a bigger coherence of the measures concerned. Firstly, a regional analysis should be elaborated in order to monitor more concrete needs of the potential beneficiaries. It is incontestable that coincidentally with to the rural development policy in the Czech Republic the needs of rural areas cannot and should not be dictated from above. However, the monitoring of planned investment projects in the regions would allow to design measures better-aimed at real regional priorities. In this way, a decrease in number of applicants would result from narrowing of eligible

costs and thus the scope of potential beneficiaries would be limited. In result, a big number of applicants would be spared from high costs without having a very limited perspective of getting grant and thus the funds would be allocated in the most efficient way. Secondly, the scoring criteria should be focused more on the individual quality of projects than on the maximal compliance with listed items in order to avoid the prioritization of projects with a lower marginal utility than projects not selected. Thirdly, to improve the usage of the EC pre-accession funds, and more specifically the SAPARD Programme which is a pre-accession instrument in agriculture, the rural development should be more interconnected with the diversification of agricultural activities by the means of a co-operation of mayors with farmers. The municipalities should be encouraged to co-operate with farmers in supply of regional agricultural products and the farmers should be obliged to get their projects approved by town halls. Furthermore, the approval of a project demanded from all municipalities in one microregion should not be purely formal, understood as quid pro quo, as it turned out in the course of the implementation of the measure 2.2 in the Czech Republic but should express an essential interest of concerned municipalities on the implementation of projects improving live conditions and the interconnection within a microregion. This should be ensured by individual quality of well-aimed projects improving the co-operation of municipalities that should be evaluated on the basis of quality-focused evaluation criteria. Finally, more accent should be put on the bottom-up approach and the inclusion of the rural dwellers and socio-economic partners in the decision-making process in order to ensure the sustainability of the development of rural areas.

It is also a key issue to strengthen the information dissemination activities in order to increase the adhesion of the farmers to the agri-environmental measure. To encourage the farmers to adopt a more extensive approach for farming in more environmentally sensitive way should be one of the main priorities to follow in a country with high degree of intensive approach and with big share of arable land. This was not the case of the "Czech way" of implementation of the SAPARD Programmes as the state authorities have placed a priority on "classic" agricultural activities, structural adjustment and investment for processing and marketing. Moreover, the measure was implemented rather late and a part of rather modest funds allocated to this measure was reallocated to agricultural measures. However, the effectiveness of this measure depends on several factors, not only on funds available but also on the degree of competence of the stakeholders' the the farmers' awareness and willingness to participate. Thus increasing of funds earmarked for agri-environmental schemes should be preceded by increasing of awareness of stakeholders concerning profitability and sustainability of entering into this measure. This could be ensured by a on-time implementation of the measure on vocational training providing seminars on agri-environmental activities and the EC strategy for sustainable agriculture.

5. Conclusions and policy recommendations

The SAPARD Programme revealed some very important tendencies of the national policies on agriculture and rural development and offered some ways of improving the pre-accession aid in order to assure the compliance with the EC strategy on sustainable agriculture. In general, it turned out that the Programme was focused on the support of the primary production while favourising big agricultural and processing holdings. Thus the strategy of the Programme has been highly relevant in terms of the compliance of the agricultural sector with the *acquis communautaire*. In accordance to that, the majority of funds have been successfully allocated to the agricultural measures whereas a minor part to the rural development. The implementation authorities succeeded by means of the chosen strategy to exhaust all funds allocated and even to exceed the commitments of 15%. The Programme has also produced a wide range of results and impacts, such as increase in productivity and more rational production, increase in income, improved quality of products, positive effects on animal welfare, improved working and health conditions, improved storage capacity, high number of created jobs, partial diversification of rural economy, improved competitiveness and increased activity of existing SME. A direct positive environmental impact as well as positive side effects of implemented projects have been identified, especially under the Priority 1. Nevertheless, in order to exhaust the allocated funds a short-term perspective has been chosen while taking in consideration the accession of the Czech Republic in the EU. In long-term perspective this policy is however not sustainable with respect to the objectives of EC strategy of sustainable rural development. The following recommendations are based on the positive as well as negative experiences gained during the implementation of the SAPARD Programme.

- More funds should be allocated and priority should be given to the diversification of agricultural activities and to activities related to tourism creating substitution source of income for rural areas. The operational objectives of activities under this measure should be clearly specified, a smaller target selected and the scope of eligible expenditures narrowed in order to decrease the excess of demand and thus to spare the applicants from unnecessary expenditures and to decrease the risk they have to take.
- Under the measures on rural development, an instrument should be included ordering as an indispensable condition a co-operation between mayors and farmers in order to involve the farmers into the projects.
- An increased focus should be put on branches of the foodstuff sector processing diversified products, such as regional and ecological products. The design of the sub-measure on support to processing of regional products should offer more favourable conditions for potential processors in order to motivate them to enter into this sub-measure rather than to choose conventional methods of processing.

- Priority should be also given to the establishment of SME in order to diversify the spectrum of economic activities in rural areas.
- The target groups should be defined in order to allow the access of SME to the funding. The size of the farm is to take in account while designing the scoring criteria.
- A simpler application and appraisal system for small-sized projects demanding lower amounts of grant aid should be introduced with simplified project plan and reduced volume of required information as well as softer requirements concerning the financial health.
- The required original documents to be submitted together with the application (indebtedness certificate etc) should be replaced by declaration of honour
- The costs for technical and financial expert opinion directly related to the project (marketing study, business plan, feasibility study, environmental impact assessment and costs for bookkeeping) should be included in eligible expenditures as they represent a relatively high expense item, in particular for SME.⁴⁹
- A regional analysis should be elaborated on the basis of the needs of local population while involving local associations, economic partners, city halls and farmers. Focus should be put on the bottom-up approach.
- Better coherence between individual measures should be ensured, especially as it concerns the horizontal environmental matters that should be an integral part of each individual measure.
- The selection procedure should be carried out on the basis of "objective" selection criteria that do not allow subjective interpretation as it was in case of setting up of selection committees. The selection criteria should be based on the project quality and not solely on administrative compliance. One of the additional criteria could be in-time application in order to facilitate the work of employees of regional agencies.
- The state authorities should protect the beneficiaries by assuring the quality and independence of consultants. Furthermore, the feasibility-studies should be controlled by economist in order to detects the inconsistencies in calculation⁵⁰.
- Banks should be informed about the benefits of granting loans in due time before the launch of the Programme.
- A higher priority should be given to organization of IT seminars for farmers in order to improve their access to information (internet) as well as to ease the administrative burden of the regional administrators.
- The dissemination of information on sustainable agriculture should be improved and strengthen because the sensibilization of farmers concerning environmental matters leads to an increased adhesion to agri-environmental measures.
- The representatives of regions should participate in the NMC and they should get attributed the right to vote in order to give to the regions more decision-making power

Czech Republic: Characteristics of the area¹

Year of
reference:
*

2002

GDP in USD per capita and year				6 822,0	
Share of agriculture in the GDP (in %)				2,8	
Per capita average income (EUR)	urban population			NM	
	rural population			NM	
	agricultural population ^A			11 700	
	overall^A			15 700	
Population density (inhabitant/km ²)				131	
Migratory balance between rural and urban areas (net result, in thousand of people)				NA	
Population	urban ^B			7 620 108	
	rural	total ^B		2 672 825	
		of which farmers	total		NM
			of which part-time farmers		NM
	total^B			10 292 933	
Active population	urban			NA	
	rural	total		NA	
		of which farmers		NA	
	total^C			4 825 100	
Unemployment rate (in %)	urban			NM	
	rural			NM	
	total^D			9,8	
Share of female employment in the active population (in %) ^E				43,3	
Share of people above 40 years old in the active population (in %) ^F				39,4	

* Data 2003 are not available.

¹ Information of contextual tables (number 1, 2 and 3) are updated on an annual basis. When the data are not yet available, indicate the last available data and specify the year they refer to.

² Rural population = population in communities up to 1 999 inhabitants, urban population = population in communities 2 000 and over inhabitants

^A Average month gross wages (CZK) - estimate.

^B Source : Census of people, houses and flats 2001, Czech statistical office (CSO) 2001.

^C Employees in the national economy in the aggregate. Source: Employment and unemployment in the Czech Republic in the 4th quarter 2002. CSO 2003.

^D Towards 31.12.2002, Ministry of labour and Social Affairs 2003.

^E Women from employees in the domestic economy in the aggregate. Source: Employment and unemployment in the Czech Republic in the 4th quarter 2002. CSO 2003.

^F Share of employees above 45 year old in employees in the national economy in the aggregate. Source: Employment and unemployment in the Czech Republic in the 4th quarter 2002. CSO 2003.

NA Not available

NM Not monitored

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Land use

Year of reference:

2002

	ha	% of UAA ¹	% of total
Arable land	3 068 239	71,80	38,9%
Permanent crops	236 290	5,53	3,0%
Permanent grassland and pastures	968 272	22,67	12,3%
UAA total	4 272 801	100,00	54,2%
Forests and other woodland	2 643 058		33,5%
Other uses	970 896		12,3%
TOTAL	7 886 755		100,0%

¹ UAA: Utilised Agricultural Area

Data 2003 are not available

Financial table for the SAPARD Rural Development Plan of the Czech Republic (Council Regulation N°1268/1999)

MAXIMUM EU CONTRIBUTION (1)

(figures given in prices 2002 for 2002 - 2006, €)

	2000	2001	2002	2003	2004	2005	2006	2000-2006
<i>Priority I. Increasing the competitiveness of agriculture</i>								
Measure 1.1. Investments in agricultural holdings	4 266 768	4 665 026	4 392 254	4 062 294	3 915 050	3 630 202	3 630 202	28 561 796
Measure 1.2. Processing and marketing of agricultural and fishery products	4 092 241	4 141 929	4 601 705	6 013 419	3 877 569	3 378 552	3 317 513	29 422 928
Measure 1.3. Improving the structures for quality control, for the quality of foodstuffs and for consumer protection	1 800 938	2 470 423	2 494 024	630 442	1 625 560	1 902 911	1 963 950	12 888 248
Measure 1.4. Land improvement and reparacling	5 182 789	4 316 729	3 760 847	4 051 049	4 581 122	5 159 384	5 159 384	32 211 304
<i>Priority II. Sustainable development of rural areas</i>								
Measure 2.1a Renovation and development of villages	3 247 664	3 321 960	2 941 000	2 489 384	1 991 507	1 500 698	1 500 698	16 992 911
Measure 2.1b. Development of rural infrastructure	1 762 433	1 793 500	1 611 929	1 386 121	995 754	750 350	750 350	9 050 437
Measure 2.2. Development and diversification of economic activities, providing for multiple activities and alternative income	2 087 784	2 135 547	2 941 000	3 734 075	4 480 891	5 252 442	5 252 442	25 884 181
Measure 2.3. Agricultural production methods designed to protect the environment and maintain the countryside	0	0	267 714	267 714	1 070 856	1 070 856	1 070 856	3 747 996
<i>Priority III. Technical support</i>								
Measure 3.1. Improvement of vocational training	0	0	320 000	292 900	348 029	240 943	240 943	1 442 815
Measure 3.2. Technical assistance (3)	0	51 613	196 322	196 323	237 383	237 383	237 383	1 156 407
Total of measures	22 440 617	22 896 727	23 526 795	23 123 721	23 123 721	23 123 721	23 123 721	161 359 023

Assistance as referred to by art.7 (4) of Regulation 1268/1999	0	0	0	424 288	424 288	424 288	424 288	1 697 152
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TOTAL (5)	22 440 617	22 896 727	23 526 795	23 548 009	23 548 009	23 548 009	23 548 009	163 056 175
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(1) : provided there is prior agreement by the Monitoring Committee, communicated to the Commission, and subject to respect of the Community contribution pursuant to the concluded annual financing agreement(s) shown in line "Total of measures", the cumulated amount per measure, for all measures 1.1 to 3.2 may be exceeded by 10 % of the corresponding total for 2000-2006, at any time during that period

(3) : for this measure and subject to respect of points a-e, g and h of article 4, the Community contribution to financing shall, as a general rule, be 80% of the total eligible cost. However, in accordance with the provisions of the Plan, point f article 4, it may amount to up to 100 % of the total eligible cost.

(4) : the amount shown is for indicative purposes only and does not prejudice any possible allocation the Commission may make to the Czech Republic under this heading

(5) : the amount of each year will be determined in the annual bilateral agreement of that year

(2) the Community contribution is for measure:

1.1 + 1.2 without Flood damage	75% of the total eligible public expenditure
1.3, 1.4, 2.2, 3.1	75% of the total eligible public expenditure
2.1.a + 2.1.b for 2000 to 2002	75% of the total eligible public expenditure
2.1.a + 2.1.b for 2003 to 2006	60% of the total eligible public expenditure
1.1 + 1.2 for Flood damage only for Flood damage 2002 :	85% of the total eligible public expenditure
2.1.a + 2.1.b + 2.2.	85% of the total eligible public expenditure

Operational Programme Multifunctional Agriculture and Rural Development

Financial plan for the period 2004 – 2006 (priorities and measures)

2004-2006	Public										Private funds (indicativ)	
	Total	EU Contribution					National funds					
		Total	ERDF	ESF	EAGGF	FIFG	Total	State budget	Budget of regions	Budget of municipalities		Other funds
Support to agriculture, processing of agricultural products and forestry	151 141 395	97 484 885			97 484 885		53 656 510	53 656 510				123 386 254
Investment in agricultural holdings	124 456 982	78 407 900			78 407 900		46 049 082	46 049 082				101 828 440
Improving of processing and marketing of agricultural products	14 309 602	10 016 721			10 016 721		4 292 881	4 292 881				14 309 602
Forestry	12 374 811	9 060 264			9 060 264		3 314 547	3 314 547				7 248 212
Rural development, fisheries and vocational training	95 438 065	73 390 659			66 434 601	6 956 058	22 047 406	22 047 406				19 291 442
Strengthening of adaptability and development of rural areas	83 993 696	65 304 243			65 304 243		18 689 453	18 689 453				9 329 175
Vocational training	1 507 143	1 130 358			1 130 358		376 785	376 785				
Fisheries	9 937 226	6 956 058				6 956 058	2 981 168	2 981 168				9 962 267
Technical assistance	4 034 511	3 025 883			2 730 252	295 631	1 008 628	1 008 628				
Technical assistance	4 034 511	3 025 883			2 730 252	295 631	1 008 628	1 008 628				
Total	250 613 971	173 901 427			166 649 738	7 251 689	76 712 544	76 712 544				142 677 696
Total related to ERDF												
Total related to ESF												
Total related to EAGGF	240 282 570	166 649 738			166 649 738		73 632 832	73 632 832				132 715 429
Total related to FIFG	10 331 401	7 251 689				7 251 689	3 079 712	3 079 712				9 962 267

COMMENTS

¹ RO SA Prague & Central Bohemia; RO SA Southwest; RO SA Northwest; RO SA Northeast; RO SA Southeast; RO SA Central Moravia; RO SA Moravia-Silesia

² A temporary accreditation for the implementation of six measures: 1.1; 1.2; 1.3; 1.4; 2.1; 2.2; 3.2 (for the measures see annex 1) was granted to the SAPARD Agency by the Competent Authorizing Officer on the 29 June 2001 and for that of the seventh measure 1.4 on the 31 January 2002. The management of aid on the implementing structure for the agri-environmental measure was conferred on 19 February 2003 and for the measure 2.3 on 1 August 2003 (Decision 2003/123/EC of 19 February 2003) and that for the measure 3.1 on 1 August 2003.

³ Subject of the Decision 2002/298/EC of 15 April 2002 were the above mentioned seven measures out of nine, representing 95% of funds.

⁴ The rural development, traditionally in the competence of the ministries of agriculture, is in the Czech republic managed by the Ministry of Regional Development, a relatively young institution, established as of 1 November 1996.

⁵ These instructions were also published in 2002 in 4.000 copies followed by 7.000 copies of leaflets for the measures 2.1, 2.2, 3.000 leaflets for the measures 1.1., 1.2, 1.3, 1.4 and 5.000 leaflets for the measure 2.3 introduced within the first round for receipt of applications.

⁶ i.e. supplement dedicated to the SAPARD Programme published in professional press on agriculture and processing such as Zemedelec or Potravinarsky zpravodaj representing one of the main information sources for farmers not being very accustomed to work with internet.

⁷ 1. round on measures 1.1, 1.2, 1.3, 1.4, 2.1, 2.2 from 15 April to 15 May 2002; 2. round on measures 1.1, 1.2, 1.3, 1.4, 2.1, 2.2 from 25 September to 6 November 2002 on measures ; 3. "flood round" on measures 1.1, 1.2., 2.1, 2.2 from 2 to 13 December 2002; 4. round on measure 2.3a) from 3 to 28 February 2003; 5. round on measures 1.1, 1.2, 1.3, 1.4 from 9 to 30 April 2003; 6 round on measure 2.3b) from 1 to 12 September 2003 Measure 3.1 (2003): 1. round from 7 to 22 April; 2. round from 26 May to 6 June; 3. round from 8 to 24 July; 4. round from 10 to 17 September; 5 round from 13 to 20 October 2003

⁸ As of the 12 August 2002, the area of the Czech Republic was acknowledged as affected by a natural catastrophe and the floods were classified as "exceptional natural disaster" with 3-5% decline of the Czech GDP. The Council Reg. 1268 has been modified by the Council Regulation (EC) No 696/2003 of April 14, 2003. Besides the funds allocated from the original budget, some funds were reallocated from the measures which were accredited later and where it was no possibility to exhaust them (2.3, 3.1).

⁹ The total public funds allocated in the Czech republic from 2000 till 2003 are 123 169 115 EUR out of which 75%, the amount of 91 987 860 EUR, is the contribution of the Community. However, there are 17,313,663 EUR more commitments than the budgeted, i.e. 15% over-commitment, which is distributed with 64% on priority I and 43% on priority whereas priority III represents lower commitments than budgeted. The unused funds of the agri-environmental measure (2.3) which was not accredited before 2003 and those of the Priority 3 (3.1, 3.2) were reallocated mainly to the first two priorities, especially to the measures on investments in agricultural holdings and partially to the Priority 2, namely to the renovation and development of villages. The total commitment is therefore continuously decreasing with the expected "mortality" of approved projects between 10-20%. The balance of commitments should be achieved till the end of 2006. From 2002 to 2003, funds have been also reallocated for 86 projects not recommended in previous rounds because of the shortage of finance (measures 1.2, 2.1, 2.2).

¹⁰ Concerning the sub-measure 1.1.1, 40%-60% of cattle housing and even 88% of sow housing is not in compliance with the legislation in the Czech Republic of which solely 3% of cattle housing (13,200 cattles) and 15% of sow housing (24,000 sows) were to reconstruct from the SAPARD Programme. The operational objective of giving support to 360-390 projects has been reached by 62-67% since resources have been committed to 242 projects. By the end of 2003, projects were completed for a reconstruction of 88 896 m² of cattle stables and 79 798 m² of sow stables. As for the sub-measure 1.1.2, the required storage capacity for fruits and vegetables to improve is 30,000 t for each of them of which 20% had to be covered from the SAPARD Programme. The objective was reached by 42% as 25,249 t were reconstructed. Regarding the sub-measure 1.1.3, the operational objective was achieved by 44% .

¹¹ Council Regulation 1257/999, Chapter 1, Art. 4

¹² The processing and marketing of non-agricultural products was covered by the measure 2.2

¹³ This measure has been limited to milk and meat sector. The effectiveness of the milk sector was even 100%, that of the red meat sector 42%. However, solely 11 projects out of 232 have been selected for the sub-measure 1.3.1.

¹⁴ Pursuant to the national legislation, Decree No. 147/1998 Coll., and the Council Directive 98/83/EC, the food companies were obliged to introduce the HACCP systems as of 1 January 2000. The SEUROP system of common carcass classification has been introduced generally applicable since 2001. However, the legislation allowed to introduce the system in following two years. On the beginning of the year 2003, the State Veterinary Administration issued a regulation prescribing the veterinary and hygienic norms to be introduced in holdings until the end of the year otherwise they were in danger of closure. Some holdings did not follow this regulation and were abolished.

¹⁵ The total sum allocated in the SAPARD Programme (2000-2006) covers 17,6% of total needs for construction and renovation of field roads and landscape enhancement and protection (50,000 ha) in the Czech Republic. 21,579 hectares are expected after the projects dealing with implementing anti-erosion measures (43% of the operational objective). A threefold increase in the amount of field roads is expected after the implementation of the projects (25,820 km). A minor part of this increase relates to the establishment of 46 km bio-corridors. As for the sub-measure 1.1.2, the SAPARD Programme covers 12,3% of the total needs on digital mapping in the Czech Republic of which the operational objective of 86,000 ha has been reached solely by 25%. However, the operational objectives have been fixed on the basis of funds assigned for the period 2000-2006 while merely funds for 2000-2003 have been allocated in regard to the accession to the EU on May 2004. .

¹⁶ Council Regulation 1257/1999, Chapter IX, Art. 33

¹⁷ 500-800 projects have been expected (effectiveness = 21%) as well as creation of 2,000 permanent full-time jobs.

-
- ¹⁸ Blaník - wet fertile meadows, Bile Karpaty - dry, semi-natural meadows, rich on species, Moravský Kras - caves under intensive arable land, Litovelské Pomoraví - wetland meadows, Poodří - wet alluvial meadows rich on birds
- ¹⁹ The LFA measure which represents the highest share of allocated funds for HRDP was not included in the measure 2.3 because a functioning system has been already running in the Czech Republic (national agri-environmental scheme 505).
- ²⁰ The Czech Republic was allowed not to apply the Art. 23 of the Council Regulation (EC) 1257/1999 concerning 5 years agri-environmental commitment. Thus the measure 2.3 provided the faculty of four-year's , in few cases even of one year agreements in accordance with the national agri-environmental scheme.
- ²¹ In Blaník pilot area, only one farmer adhered into the measure.
- ²² On the 1 August 2003
- ²³ For projects from 9.670 EUR) to 64.516 EUR.
- ²⁴ Only 12% from the project price has been allocated to the provider's costs.
- ²⁵ Two main issues and activities under this measure were: monitoring of the Programme (monitoring of agri-environmental measure 2.3, technical support to NMC meetings, elaboration of annual reports) as well as evaluation of the Programme.
- ²⁶ Three annual reports have been elaborated till 2004 from the years 2001, 2002 and 2003 (see www.sapard.cz).
- ²⁷ In accordance to the rules, the required annexes expired after three months of their issue so that in case of refusal of the application the applicants had to provide up-to-date certificates in order to participate in the next round for receipt of applications. This discouraged many applicants as well.
- ²⁸ About 8.000 family farms.
- ²⁹ Theoretically, all applicants should have been able to elaborate a project by themselves regarding the high quality consultation services of RO SA and to a detailed plan and guidelines published on internet. However, the elaboration of a project is very demanding in terms of time and human resources which are not at disposal of SME. The revenue regenerating projects over 5 millions demanded a feasibility study that is very costly and must be elaborated by a professional qualified third party. For revenue generating projects bellow EUR 138,900, a business plan, including a market study, was required
- ³⁰ In accordance to ARDP, in 2000 solely 5 slaughtering establishments were approved for exports to the EU whereas of the remaining 284 highcapacity and 207 low-capacity establishments, 70 and 120 respectively were supposed to meet EU requirements by 1 January 2003. Despite the three-year transition period requested to improve hygienic conditions of other establishments 40 high-capacity establishments and 20% of low-capacity establishments were about to cease operating before accession.. Of the 125 establishments producing dairy products, 20 were approved for export to the EU in 2000 and a further 51 were expected to meet the EU requirements by the time of accession. Nevertheless, 30 establishments were expected to close down. A three-year transition period should allow another 26 establishments to meet the EU requirement after the Accession. Concerning the meet sector, of a total of 1,023 such establishments 25% were about to close down before the date of the accession. Of the 40 poultry slaughterhouses, 10 met the EU requirements in 2000 and another 16 were about to meet them by the time of the accession. 8 establishments were about to close down.
- ³¹ It was envisaged that about 300 establishments would achieve status A1, and eventually A2 during the seven-year implementation period. The objective has been reached by 75%.
- ³² The required investments were estimated at CZK EUR app. 55,560,000 whereas the funds allocated to the measure 1.3 amounted 25,172,617. It was envisaged that about 300 establishments would achieve status A1, and eventually A2 during the seven-year implementation period. The objective has been reached by 75%.
- ³³ In Blaník area, at least 40% of eligible are of 110 ha should have been treated, while only 1 farmer entered into the Programme (10 ha). In Bile Karpaty, the operational objective was to implement agri-environmental measures on a surface of 400 ha of the total grass area of 6000 ha. The measure was implemented on 305 ha. In Moravský Kras, the objective was to grass 170 ha and to implement the changed sowing process on the area of 150 ha. In Poodří, the maximal area to treat is 1800 ha and to grass is 340 ha of which on 230 ha the agrienvironmental measures have been implemented.
- ³⁴ The intervention rate for revenue generating project is 50%, of which is 75% come from EU funds and 25% from the national budget.
- ³⁵ By the end of the year 2003, the EC had difficulties to allocate the funds for AFA 2001. The Czech Republic was obliged to reimburse the projects by its own national means so that the payments were delayed of about 2 months.
- ³⁶ This will be the subject of final evaluation of the SAPARD Programme to be carried out after the end of the Programme implementation.
- ³⁷ The total number of administrators in 7 RO SA was 52 people from the MoA plus 14 from the MRD.
- ³⁸ Exceptions: projects exceeding EUR 138,900 as well as projects involving more than one region had to be evaluated at central level.
- ³⁹ Structure of NMC - members: MoA, MoF, NF, MoFA, MRD, MoE, MoLSA, director of the Implementation and Payment Control Dpt. of SA, director of Payment Dpt. of SA, Association of Cities and Municipalities of CR, Association for Rural Renewal, Chamber of Commerce of CR, Food Chamber of CR, Managing and Coordination Committee, Association of Private Agriculture of CR, Association of Young Farmers of CR, Association of Municipality and Private Forests Owners in CR, Association of Agricultural Cooperatives and Societies, State Veterinary Administration, Czech Association for Nature Conservation, representatives of the EC in the role of advisors
- ⁴⁰ The meetings were held on: 10 May 2001, 5 December 2001, 24 April 2002, 23 October 2002, 23 April 2003, 26 November 2003, 22 April 2004
- ⁴¹ Some RO SA managing a large territory covering more counties offered from their own initiative one office day per week in the more distant county in the office of the Agricultural agency (i.e. RO SA in Ceske Budejovice in Plzen) to facilitate the time-demanding consultation process to the farmers.
- ⁴² The percentage of demanded public contribution financing was already scored : one percent less, one point more.
- ⁴³ Interim controls are executed in 100% of projects while ex-post controls in 100% only by revenue generating projects. The project objective has to be fulfilled for at least three years. This exception to the rule of 5 years has been accredited by the European Commission.

⁴⁴ This concerns especially the measures on rural development.

⁴⁵ The scoring criteria were published on internet and thus well known by the applicants.

⁴⁶ Unlike the SAPARD Programme, the beneficiary can start the project implementation already in the moment of registration and does not have to wait for the contract signature.

⁴⁷ The Department for OP and SAPARD have four subordinated bodies: 1. General Methodology Division that has been created from the former Division for SAPARD Methodology and 3 regional methodists and has also taken over the OP methodology; 2. Division for OP and SAPARD Control Planning based on the former Control Planning Division in SA and being responsible for OP controls planning as well; 3. OP Methodology Division (no competencies concerning SAPARD); 4. Payments Authorization Division that has been created from the former Payments Department of SA

⁴⁸ For small scale projects under 32,258 EUR).

⁴⁹ In the Operational Programme RDMA these items are already included in eligible expenditures.

⁵⁰ In case of measures on rural development, a feasibility study was obligatory for projects over EUR 138,900 which is very costly and it seems that its content concerning possible overestimation of individual items in order to get the required minimum outcome was not really controlled.