



Audit Report

20/18

Funds to Meet the National Objectives of the *Europe 2020* Strategy

The audit was included in the audit plan of the Supreme Audit Office (the “SAO”) for 2020 under number 20/18. The audit was headed and the Audit Report drawn up by SAO member Mr. Jan Kinšt.

The aim of the audit was to verify whether the funds for evaluation of the fulfilment of the *Europe 2020* strategy objectives were provided and used effectively and whether the activities of the Office of the Government of the Czech Republic and the Ministry of Regional Development in preparing the documents on the achievement of the national strategic objectives were effective.

Audited entities:

- Ministry of Regional Development (hereinafter also the “MoRD”);
- Office of the Government of the Czech Republic.

The period audited was from 2014 to 2020, and the preceding and subsequent periods where materially relevant.

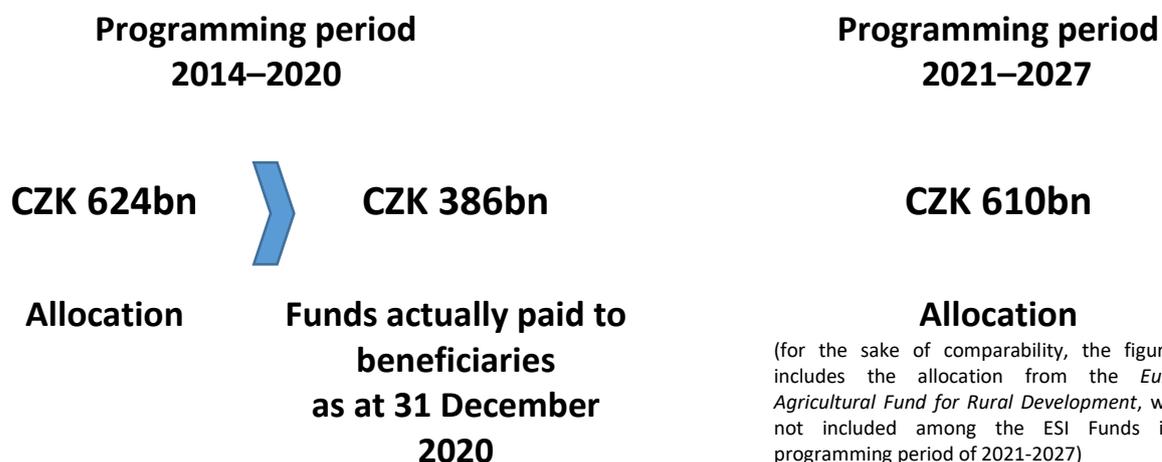
The audit for the audited entities was carried out in the period from February to May 2021.

The Board of the SAO in its 14th session held on 30 August 2021

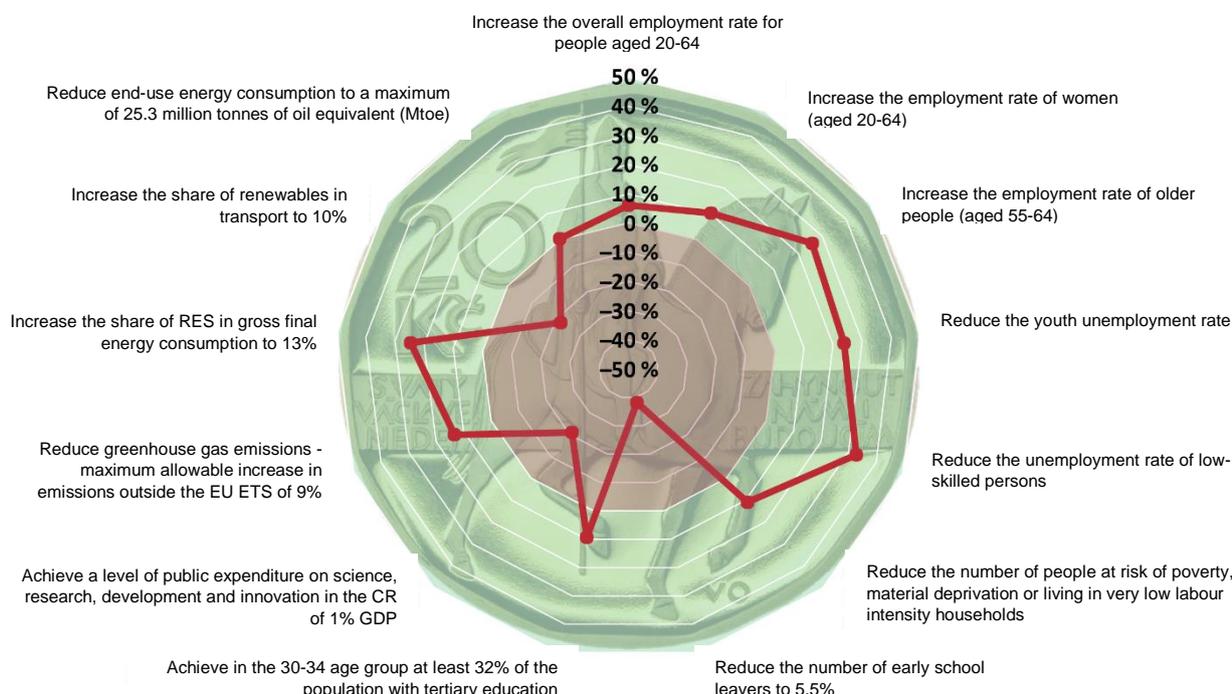
approved by Resolution No. 7/XIV/2021

this Audit Report with the following wording:

Finances from the European Structural and Investment Funds for the Czech Republic and the *Europe 2020* Strategy Objectives



Rate of achievement or non-achievement of national objectives of the *Europe 2020* strategy (% deviation of achieved values from target)



I. Summary and Evaluation

1.1 The SAO carried out audit of the effectiveness of the funds used for the system of monitoring the achievement of the objectives and evaluating the contribution of the European Structural and Investment Funds¹ (hereinafter also “ESI Funds”) to meeting the objectives of the *Europe 2020* strategy² (hereinafter also “Strategy”), the key aim of which is economic growth while taking into account sustainability aspects and the requirements for smart and inclusive growth³. The assessment of the relative contribution of the ESI Funds to the current Strategy objectives provides valuable feedback for structuring new objectives for the next programming periods. The system of benefit assessment affects how finances are used from the ESI Funds, from which for the Czech Republic, approximately CZK 624 billion was allocated in the 2014-2020 programming period⁴ (for comparison, it is worth noting that for the 2021-2027 programming period this amount is approximately CZK 610 billion⁵).

1.2 The aim of the audit was to verify whether the funds for evaluation of the fulfilment of the *Europe 2020* Strategy objectives were provided and used effectively and whether the activities of the Office of the Government of the Czech Republic and the Ministry of Regional Development in preparing the documents on the achievement of the national strategic objectives were effective.

1.3 The Office of the Government of the Czech Republic in collaboration with the MoRD has been continuously monitoring and evaluating the degree of fulfilment of the national objectives of the *Europe 2020* Strategy.

The actual coordination of economic policy instruments, which was to be based on the results of the monitoring and status evaluation of the national targets of the *Europe 2020* Strategy in order to prevent non-fulfilment, was not sufficiently effective. One of the reasons for this was the fact that the Office of the Government of the Czech

¹ A definition of the ESI Funds is provided in Article 4 (1) of Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006 (hereinafter also “General Regulation”): *“The ESI Funds shall provide support, through multi-annual programmes, which complements national, regional and local intervention, to deliver the Union strategy for smart, sustainable and inclusive growth, as well as the Fund-specific missions pursuant to their Treaty-based objectives, including economic, social and territorial cohesion taking account of the relevant Europe 2020 Integrated Guidelines and the relevant country-specific recommendations adopted in accordance with Article 121(2) TFEU, and of the relevant Council recommendations adopted in accordance with Article 148(4) TFEU and where appropriate at national level, the National Reform Programme”.*

² I.e., assessing the contribution of the ESI Funds in relation to other drivers of economic growth.

³ An explanation of the concept of sustainable, smart and inclusive growth is provided in Paragraph 2.1.

⁴ Source: Quarterly Report on the Implementation of ESI Funds in the Czech Republic in the Programming Period of 2014–2020 for the 4th Quarter of 2020, published by the MoRD in 2021.

⁵ Source: Information leaflet *Cohesion Policy Priorities 2021-2027*, published by the MoRD in June 2021; the amount includes, additionally to the data in the leaflet, the allocation of funds from the *European Agricultural Fund for Rural Development* to the *Rural Development Programme* in the amount of approximately CZK 60 billion, which are not included in the ESI Funds for the 2021-2027 period.

Republic - although the Strategy's coordinator at the national level - did not have the necessary legal mandate for such coordination.

The MoRD provided analytical information for management of the risk of non-compliance with the *Europe 2020* Strategy only for some of the objectives.

The targets set for some of the national Strategy objectives were not ambitious enough, making the effective achievement of most of the targets a relative success at best.

The MoRD has set up methodological procedures for evaluating the contribution of the ESI Funds to the achievement of the national objectives of the *Europe 2020* Strategy; the SAO considers these procedures to be good practice. However, the methodological procedures of the Ministry of Regional Development were not set as binding for the Strategy's coordinator, which was the Office of the Government of the Czech Republic. The Office of the Government did not apply these procedures even voluntarily in practice.

The Office of the Government of the Czech Republic did not obtain the necessary analytical information on the contribution of ESI Funds to the achievement of most of the national objectives relating to preparation, coordination and monitoring of the implementation of the *National Reform Programme* (hereinafter also "NRP") in the 2014-2020 period, with the exception of the target level of public expenditure on science, research, development and innovation (hereinafter also "R&D").

To evaluate the contribution of ESI Funds to meeting the objectives of the *Europe 2020* Strategy, the key aim of which was to achieve smart, sustainable and inclusive growth, the Office of the Government of the Czech Republic received funds from the Operational Programme *Technical Assistance 2014-2020* (hereinafter also "OP TA"). However, the project output only were studies on the contribution of ESI Funds to economic growth. The purpose of the project thus was not fulfilled. The MoRD did not challenge this non-fulfilment of the project's purpose, which is a major shortcoming in the performance of its function as provider of funds from the OP TA.

The activities of the Office of the Government of the Czech Republic and the Ministry of Regional Development in providing information on the contribution of ESI Funds to the fulfilment of the *Europe 2020* Strategy objectives are assessed by the SAO as ineffective.

- 1.4 This overall assessment is based on the following main findings from the audit:
- a) The SAO found no shortcomings in the performance of the obligation of the Office of the Government of the Czech Republic to monitor and evaluate the degree of fulfilment of the national objectives of the *Europe 2020* Strategy in accordance with the set rules (see paragraphs 4.3 to 4.6).
 - b) The early fulfilment of some of the objectives and the fact that their target values were exceeded by a substantial margin signify that the targets for these national objectives of the *Europe 2020* Strategy for the Czech Republic were not set ambitiously enough. For 4 of the 13 objectives, the target value was exceeded by more than 20% (see paragraph 4.7).
 - c) The Office of the Government of the Czech Republic did not sufficiently meet its obligation to coordinate economic policy instruments in order to prevent failure to

meet the national objectives of the *Europe 2020* Strategy. For 3 of the 13 national objectives, the target value was not met. One of the reasons is the lack of vested authority for effective coordination (see paragraphs 4.8 to 4.11).

- d) The MoRD provided the analytical information needed to manage the risk of non-achievement of the aim of the *Europe 2020* Strategy only for some of the objectives (see paragraphs 4.12 to 4.15).
- e) The MoRD, as the body in charge of the methodology and coordination for strategic management of ESI Funds in the Czech Republic, had established a basic methodological framework for evaluating the contribution of ESI Funds to the strategies, which though was not imposed by a relevant government resolution as binding for the Office of the Government of the Czech Republic as the *Europe 2020* Strategy coordinator, and the Office of the Government did not follow this methodological framework. The Office of the Government of the Czech Republic did not obtain the necessary analytical information on the contribution of ESI Funds to the fulfilment of most of the national objectives and did not assess the contribution of ESI Funds to meeting the *Europe 2020* Strategy objectives under the project supported from the OP TA (see paragraphs 4.19 to 4.23 and also point g) of this paragraph).
- f) The evaluation of the contribution of ESI Funds to the fulfilment of the *Europe 2020* Strategy objectives was performed by the Office of the Government of the Czech Republic and the Ministry of Regional Development inconsistently and to an insignificant extent only. The information published (except data on the amounts of public expenditure on R&D) cannot be considered as a proper evaluation of the contribution of ESI Funds to the achievement of the national objectives, as it does not provide any quantification of the resources used to meet the individual national objectives, much less a comparison of the volumes of the resources used with the degree of fulfilment of the respective national objectives, or the share of the amounts used from the ESI Funds in how the individual national objectives were met. An evaluation of the contribution of ESI Funds to the fulfilment of the national objectives was carried out in about 22% cases of the total number of published evaluations of the contribution of individual objectives in the NRP in the 2014-2020 period, with a proper evaluation performed in less than 9% of the cases (see paragraphs 4.24 to 4.29).
- g) The econometric models used by the Office of the Government of the Czech Republic to prepare the outputs of the project *Evaluation of the Contribution of the ESI Funds to the Implementation of the Europe 2020 Strategy* (hereinafter also “Project 079” or “Project”)⁶, despite their undisputed quality, failed to evaluate the contribution of the ESI Funds to fulfilling the *Europe 2020* Strategy objectives, and so the purpose of the project was not met (see para.4.30-4.34).
- h) The Ministry of Regional Development, as the funds provider, approved the project objective that was not achievable. The follow-up audit by the MoRD focusing on outputs of evaluations of the contribution of ESI Funds to meeting the *Europe 2020* Strategy objectives was only formal and ineffective (see para. 4.35–4.38).

⁶ Project registration number CZ.08.1.125/0.0/0.0/15_001/0000079.

- i) The SAO identified examples of good practice in evaluations of the contribution of the ESI Funds to meeting the *Europe 2020* Strategy objectives, both in the Czech Republic and in other member states of the European Union (EU) (see paragraphs 4.39 to 4.41).

II. Information on the Audited Area

2.1 The Europe 2020 Strategy aimed to ensure that “the European Union’s economic recovery from the economic and financial crisis (the 'Great Recession') is underpinned by a series of reforms to build a solid foundation for growth and jobs by 2020.”⁷ The Strategy addressed the structural weaknesses of the EU economy, economic and social issues and to some extent also the long-term challenges of globalisation and an ageing population. The Europe 2020 Strategy was meant to enable the EU to achieve growth that is:

- Smart, by developing an economy based on knowledge and innovation;
- Sustainable, by promoting a more resource efficient, greener and more competitive economy;
- Promotive to inclusion through a high-employment economy delivering social and territorial cohesion.

2.2 For this strategy, the EU set five main measurable targets to be met by the end of 2020 at the latest:

- At least 75% of the population aged 20-64 should be employed;
- 3% of the European Union’s gross domestic product should be invested in research and development;
- In the field of climate and energy, reduce greenhouse gas emissions by at least 20%, increase the share of renewable energy sources to 20% and increase energy efficiency by 20%;
- Reduce the share of early school leavers below 10% and increase the number of tertiary education graduates to at least 40%;
- Reduce the number of people at risk of poverty or social exclusion by 20 million.

2.3 Each EU member state was to tailor the implementation of the *Europe 2020* Strategy to its specific situation. The European Council endorsed⁸ the European Commission’s proposal to translate the EU objectives, after discussion with each member state, into national targets and guidelines that account for the situation of each member state and a realistic level of ambition for that member state within the overall EU effort to meet the set objectives (for more details see Annex 1 of this Audit Report - *Overview of the Czech Republic’s National Objectives under the Europe 2020 Strategy and Their Development*).

2.4 Although the targets were not legally binding, they amounted to essential prerequisites for achieving smart, sustainable and inclusive growth (as elaborated in para. 2.1) at the level of member states and the EU as a whole and are intended to serve as an important benchmark

⁷ Communication from the European Commission COM(2010) 2020 final: *Europe 2020 – A strategy for smart, sustainable and inclusive growth* (hereinafter also the “Europe 2020 Strategy”).

⁸ European Council Conclusions of 26 March 2010 (EUCO 7/10).

for the delivery of the NRP. Progress towards achieving these policy commitments of member states has been assessed annually by the EU institutions under the European Semester.

2.5 As part of the European Semester, member states regularly presented their economic policy plans for the year to the European Commission, outlining the specific measures they were taking to implement the *Europe 2020* Strategy, with a particular focus on efforts to meet national targets. The Czech Republic presented these plans via the *National Reform Programme*, which it updated annually. Based on the EU's political priorities, the European Commission issues recommendations on economic policy actions and reforms to the EU Council, which then makes its own recommendations. The implementation of measures to meet the plans set out in the NRP was presented by the Czech Republic in annual *reports on the implementation of the NRP* (hereinafter also "RoI NRP").

2.6 Both financial and non-financial factors were meant to contribute to achieving the *Europe 2020* Strategy objectives. Non-financial factors included, in particular, further deepening the single market and removing pertinent barriers and expanding international trade cooperation with non-EU countries (free trade agreements). In terms of financial factors, one of the main instruments for achieving the *Europe 2020* Strategy objectives were to be funds from the EU budget⁹. The importance of the EU budget, however, had less to do with its absolute value, as it alone only accounts for a small portion of total EU spending (around 2% of public expenditure of all EU member states¹⁰). The significance of these funds is rather in their initiating function, setting investment trends in line with pan-European priorities, promoting synergies and mobilising other resources, both public and private. From the ESI Funds, which account for almost half of total EU budget expenditure, almost CZK 624 billion has been allocated to the Czech Republic in the 2014-2020 programming period. Among the content requirements for the two *progress reports on the implementation of the Partnership Agreement*¹¹ (hereafter also the "PR"), which were to provide feedback on the effectiveness of the finances used from the ESI Funds in implementing the set strategic objectives twice during the 2014-2020 programming period (in 2017 and 2019), was to answer the question **"What is the contribution of the ESI Funds to the individual objectives of this Strategy?"**

⁹ Other instruments to achieve the *Europe 2020* Strategy objectives were to be the EU flagship initiatives in individual fields covered by the Strategy (such as improving the framework conditions for innovation in enterprises, i.e. creating the EU unitary patent).

¹⁰ Source: *The EU budget at a glance*, published by the European Commission in 2019.

¹¹ Article 52 (2) of the General Regulation sets out the information that must be included and analysed in PR. It shall include, inter alia, "(b) progress made towards achievement of the Union strategy for smart, sustainable and inclusive growth, as well as of the Fund-specific missions referred to in Article 4(1), through the contribution of the ESI Funds to the thematic objectives selected, and in particular with regard to the milestones set out in the performance framework for each programme, and to the support used for climate change objectives". Furthermore, the Commission Implementing Regulation (EU) 2015/207 of 20 January 2015 laying down detailed rules for the implementation of the General Regulation provides in Annex I, Part 2, under point (a) that the member state shall indicate in PR: "A description and assessment of the progress made in achieving the national *Europe 2020* targets and of the contribution of the ESI Funds to that end, with reference to the milestones set out in the performance framework, and to the support used for climate change objectives, where appropriate."

2.7 The document ensuring coherence between the common objectives of the *Europe 2020* Strategy and the focus of programmes financed from the ESI Funds in the Czech Republic is the *Partnership agreement for the 2014-2020 programming period* (hereinafter also “PA”). The PA is a document that sets out the member state’s strategy, priorities and actions for the efficient and effective use of ESI Funds to achieve the *Europe 2020* Strategy objectives.

2.8 Prerequisite to successful implementation of programmes financed from the ESI Funds and to the fulfilment of strategic objectives is their effective monitoring and evaluations¹². These evaluations provide an analytical reference basis for appropriate prioritisation of supported measures and feedback for any adjustments to this prioritisation and other aspects of the implementation of the ESI Funds in order to achieve the strategic objectives.

2.9 The Government of the Czech Republic has set out the institutional framework and responsibilities for the implementation of the Partnership Agreement in the PA management rules¹³, with the Office of the Government of the Czech Republic and the Ministry of Regional Development being the key umbrella bodies in this regard.

2.10 The **Office of the Government of the Czech Republic** was the coordinator of the *Europe 2020* Strategy. In relation to the audit subject, it was in charge of monitoring the implementation of the national objectives of the *Europe 2020* Strategy, the outputs of which were updated annually within the NRP framework, as well as of coordinating the economic policy instruments involved in the implementation of the *Europe 2020* Strategy objectives. The Office of the Government of the Czech Republic was also responsible for evaluating the contribution of the ESI Funds to fulfilment of the objectives of the *Europe 2020* Strategy, which was to be done via the project *Evaluation of the Contribution of the ESI Funds to the Implementation of the Europe 2020 Strategy*, and in collaboration with the MoRD, worded any resulting proposals for more efficient use of the ESI Funds.

2.11 The **Ministry of Regional Development** is the body in charge of the methodology and coordination for strategic management of ESI Funds in the Czech Republic. The MoRD in its capacity as the National Coordination Authority (hereinafter also “NCA”) sets up the methodology of the system of providing reference data for evaluating the contribution of the ESI Funds in the 2014-2020 programming period to the implementation of the *Europe 2020*

¹² Explanations of terms according to site dotaceeu.cz: Evaluation or assessment is a process based on thoroughly gathering information and its professional evaluation in order to obtain a reliable reference basis for implementation management and strategic decision-making. Evaluation thus contributes to cost-effective management and use of public funds. As for evaluations in the field of ESI Funds, these assess the setup of strategies, policies, programmes and projects, their design, implementation and effects. The aim is to verify the meaningfulness of the objectives pursued and their implementation status (effectiveness), and any improvements in efficiency, economy and sustainability. Evaluations are carried out before (ex-ante), during (ad-hoc, ongoing or mid-term) and after (ex-post) a programming period or the actual implementation. Evaluations are governed by Article 54 et seq. of the General Regulation. Further they are also addressed in the *Methodological Guideline for Evaluations in the 2014-2020 Programming Period* issued by the Ministry of Regional Development on 9 August 2013 based on Resolution of the Government of the Czech Republic No 597 of 9 August 2013, *on the Set of methodological documents for evaluation, principles of devising and using indicators, eligibility of expenditure and its reporting and risk management in the programming period of 2014-2020*.

¹³ Resolution of the Government of the Czech Republic No. 448 of 12 June 2013 *on the Rules for management and coordination of the Partnership Agreement in the programming period of 2014-2020*.

Strategy objectives, prepares in coordination with the managing authorities proposals for reallocation of funds between Operational Programmes and submits these for discussion to the ESI Funds Council¹⁴, acts as the managing authority of the Operational Programme *Technical Assistance 2014-2020* in providing support for evaluation projects and also performs their control.

2.12 In the provisions of the PA management rules concerning the evaluation of the contribution of the ESI Funds to meeting the *Europe 2020* Strategy objectives, emphasis is placed on cooperation between the Office of the Government of the Czech Republic and the Ministry of Regional Development in this evaluation. The necessity of cooperation between these institutions also follows from the fact that the MoRD provided the Office of the Government of the Czech Republic with a subsidy of CZK 1.3 million from the OP TA for the project *Evaluation of the Contribution of the ESI Funds to the Implementation of the Europe 2020 Strategy* (see paragraph 2.10). This relationship between the beneficiary and the provider of the subsidy established the obligation of the Office of the Government of the Czech Republic to fulfil the purpose of the project and meet the project objectives, and the obligation of the MoRD to verify by audit the fulfilment of the project objectives.

III. Scope of Audit

3.1 The aim of the audit was to verify whether the funds for evaluation of the fulfilment of the *Europe 2020* Strategy objectives were provided and used effectively and whether the activities of the Office of the Government of the Czech Republic and the Ministry of Regional Development in preparing the documents on the achievement of the national strategic objectives were effective.

3.2 The use of public funds is deemed effective if it ensures best rate of achievement of objectives in fulfilling set tasks¹⁵. Consequently, the activities of the audited bodies in monitoring the achievement of the national objectives of the *Europe 2020* Strategy and managing the risks of potential non-fulfilment of the national objectives, and in setting the methodology of and pursuing the procedures for evaluating the contribution of the ESI Funds to the national objectives were effective.

3.3 To meet the audit objective, the SAO assessed the following audit questions:

- A. Were the activities of the audited entities (the Office of the Government of the Czech Republic and the MoRD) in preparing the documents and information on the fulfilment of the national strategic objectives of the *Europe 2020* Strategy effective?
- B. Did the audited entities provide analytical information on the contribution of the ESI Funds to meeting the *Europe 2020* Strategy objectives in an effective way?

¹⁴ Pursuant to the provisions of Section 18 of Act No. 248/2000 Coll., on support for regional development, in the version valid until 30 June 2021, the ESI Funds Council is an advisory body to the government in the field of coordination of aid provided by the European Union from all ESI Funds. The Council itself has no legal personality. The functions of the Council secretariat are performed by the MoRD.

¹⁵ Pursuant to Section 2 o) of Act No. 320/2001 Coll., on financial control in public administration and amending certain Acts of Law (Act on Financial Control).

3.4 The SAO audited the Office of the Government of the Czech Republic as the coordinator of the *Europe 2020* Strategy and beneficiary of the OP TA funds in the implementation of Project 079. The SAO also audited the Ministry of Regional Development as the body in charge of the methodology and coordination for strategic management of ESI Funds in the Czech Republic and the managing authority of the OP TA.

3.5 The following activities were verified by the audit at the Office of the Government of the Czech Republic:

- Ongoing monitoring and evaluation of fulfilment of the national objectives of the *Europe 2020* Strategy;
- Annual updates of the NRP and its evaluation within the framework of the RoI NRP;
- Evaluation of the contribution of ESI Funds to implementing the NRP and meeting the national objectives of the *Europe 2020* Strategy in collaboration with the MoRD;
- Preparation, implementation and fulfilment of the project objective of evaluating the contribution of the ESI Funds to meeting the *Europe 2020* Strategy objectives.

3.6 The following activities were reviewed by the audit at the MoRD:

- Coordination of the Czech Republic's position in the area of cohesion policy and towards more effective use of the ESI Funds to meet the national objectives of the *Europe 2020* Strategy;
- Informing about the risks related to the use of ESI Funds, preparing information about these risks for the ESI Funds Council meetings;
- Providing analytical information on the contribution of the ESI Funds to meeting the national objectives of the *Europe 2020* Strategy, setting the methodology for evaluation of the contribution of the ESI Funds to strategies including the *Europe 2020* Strategy, and pertinent cooperation with the Office of the Government of the Czech Republic;
- Assessing, administering and controlling the project of evaluating the contribution of the ESI Funds to meeting the *Europe 2020* Strategy objectives.

3.7 The audit verified the system for monitoring the national objectives of the *Europe 2020* Strategy and the system for evaluating the contribution of the ESI Funds to the fulfilment of these objectives. The total allocation of finances from the ESI Funds for the Czech Republic for the 2014-2020 period amounted to CZK 624 billion. As of 31 December 2020, the volume of funds paid to beneficiaries based on applications for payment from Programmes financed from the ESI Funds totalled CZK 386 billion, i.e. 61.8%.

3.8 The audited period was 2014-2020; both the previous and subsequent periods were also considered where materially relevant.

Note: The legal regulations referred to in this Audit Report apply in their wording applicable in the audited period.

IV. Detailed Facts Found in the Audit

A. *Were the activities of the audited entities (the Office of the Government of the Czech Republic and the MoRD) in preparing the documents and information on the fulfilment of the national strategic objectives of the Europe 2020 Strategy effective?*

4.1 The *Europe 2020* Strategy was enshrined in the March 2010 European Council Conclusions and Communication from the European Commission. Subsequently, the Government of the Czech Republic set by its resolution¹⁶ of June 2010 the target values of the national Strategy objectives and also set the Office of the Government of the Czech Republic as the Strategy coordinator the task to draw up a plan for the implementation of the national objectives of the Czech Republic set out in the Strategy. The devised action plan analysed the (then) current state of play and expected developments in the areas covered by each of the national objectives, including respective pending legislative and non-legislative actions. The action plan has been replaced via resolution of the Government of the Czech Republic¹⁷ by the NRP and its regular updates part of the established European Semester (see paragraph 2.5). Subsequently as part of preparations for the 2014–2020 programming period, the Government of the Czech Republic approved the *Partnership Agreement Management and Coordination Rules*¹⁸, which set out the obligations of entities in the implementation of cohesion policy in order to efficiently use finances from the ESI Funds to meet the national objectives of the *Europe 2020* Strategy. The following obligations were set for the Office of the Government in the area of preparing documents and information on the fulfilment of the national strategic objectives of the *Europe 2020* Strategy, in which it was to collaborate with the Ministry of Regional Development:

- Monitor and evaluate fulfilment of the national objectives of the *Europe 2020* Strategy and update the NRP annually;
- Coordinate economic policy instruments to meet the national objectives.

4.2 Furthermore, the PA Management and Coordination Rules set out additional obligations for the Ministry of Regional Development:

- Inform the ESI Funds Council on the risks of implementation of the ESI Funds and on proposed measures of a systemic nature, including information on their implementation by the competent authorities through annual reports on the implementation of the Partnership Agreement;
- Propose, in collaboration with the managing authorities of the Operational Programmes, reallocations of funds between Programmes on the basis of performed socio-economic analysis, including updates to the NRP and analyses of the absorption

¹⁶ Resolution of the Government of the Czech Republic No. 434 of 7 June 2010 *on the National targets set on the basis of the main objectives of the “Europe 2020” Strategy*.

¹⁷ Resolution of the Government of the Czech Republic No. 314 of 27 April 2011 *on the National Reform Programme of the Czech Republic 2011*.

¹⁸ Resolution of the Government of the Czech Republic No. 448 of 12 June 2013 *on the Rules for management and coordination of the Partnership Agreement in the programming period of 2014–2020*. These rules were updated to version 2.0 in 2016.

capacity of select interventions and the administrative capacity of the managing authorities.

Office of the Government of the Czech Republic

→ The SAO found no shortcomings in the performance of the obligation of the Office of the Government of the Czech Republic to monitor and evaluate the degree of fulfilment of the national objectives of the *Europe 2020* Strategy in accordance with the set rules.

4.3 In collaboration with the Ministry of Regional Development, the Office of the Government monitored and evaluated trends in how the set target values were met of the national objectives of the *Europe 2020* Strategy in accordance with the PA Management and Coordination Rules. The SAO found in these activities of the Office of the Government no deficiencies.

4.4 A time series of the trends in fulfilment of the individual national objectives is provided in Table 2 in Annex 1. According to the latest available data, the targets were not met for 3 of the 13 national objectives.

4.5 At regular intervals, the Office of the Government published current data on fulfilment of the *Europe 2020* Strategy objectives and additional related information in the NRP and RoI NRP.

4.6 The following targets were not met:

- (Target 3a) reduce the number of early school leavers to 5.5%;
- (Target 4) achieve a level of public expenditure on science, research, development and innovation in the Czech Republic of 1% of gross domestic product (hereinafter also "GDP");
- (Target 5bb) increase the share of renewables in transport to 10%.

→ The early fulfilment of some of the objectives and the fact that their target values were exceeded by a substantial margin signify that the targets for the national objectives of the *Europe 2020* Strategy for the Czech Republic were not set ambitiously enough.

4.7 Of the 10 remaining targets that were met, nine were achieved by 2017 at the latest, or three years before the end of the Strategy period under review, without later falling back below the target threshold. Some of the target values were reached even as early as in late 2014, i.e., in the first year of the 2014-2020 programming period (see Annex 1). Of these targets met early, the actual indicator value exceeded the target value by a fifth or more for the following four targets (see Table 1):

- (Target 1c) increase the employment rate of older people (aged 55-64) to 55% - exceeded by 25.8%;
- (Target 1d) reduce the youth unemployment rate (15 to 24-year-olds) by one-third compared to 2010 - exceeded by 23.8%;
- (Target 1d) reduce the unemployment rate of low-skilled persons by one fourth compared to 2010 - exceeded by 32.8%;
- (Target 5ba) increase the share of renewable energy sources (hereinafter also "RES") in gross final energy consumption to 13% - exceeded by 24.6%.

The very early achievement of most of these targets and the significant margin by which the target values for some indicators were exceeded testify to these targets having been set very leniently. The lack of ambition in how the targets were set makes their effectiveness, i.e. the degree of fulfilment of the set objectives of the *Europe 2020* Strategy, a relative success at best, in particular in the aspect of employment of older persons in the age category 55-64, young people in the age category 15-24 and low-skilled people and as regards increasing the share of RES in gross final energy consumption.

Table 1: Meeting the target values of the national objectives

Area	National objective (reference year*)	Ref. value **	Target value	Completion status as of 31/12/2020	Excess margin/ /failure to meet target
a	b	c	d	e	f
1. Employment	1a - Increase the overall employment rate for people aged 20-64 to 75% (2010)	70.4%	At least 75%	79.6%	6.1%
	1b - Increase the employment rate of women (aged 20-64) to 65% (2010)	60.9%	At least 65%	71.7%	10.3%
	1c - Increase the employment rate of older people (aged 55-64) to 55% (2010)	46.5%	At least 55%	69.2%	25.8%
	1d - Reduce the youth unemployment rate (15 to 24-year-olds) by one third against 2010 (2010)	18.3%	Max. 12.2%	9.3%	23.8%
	1e - Reduce the unemployment rate of low-skilled persons (level ISCED 0–2) by one fourth compared to 2010 (2010)	25%	Max. 18.75%	12.6%	32.8%
2. Poverty and social exclusion	2 - Reduce the number of people at risk of poverty, material deprivation or living in very low labour intensity households by 100,000 people compared to 2008 (2008)	1,566 thousands of persons	Max. 1,466 thousand persons	1,306 thousand persons* **	10.9%
3. Education	3a - Reduce the number of early school leavers to 5.5% (2010)	4.9%	Max. 5.5%	7.6%	-38.2%
	3b - Achieve in the 30-34 age group at least 32% of the population with tertiary education (2010)	20.4%	At least 32%	35.0%	9.4%
4. Research, development and innovation	4 - Achieve a level of public expenditure on science, research, development and innovation in the Czech Republic of 1% GDP (2010)	0.65%	At least 1%	0.79%***	-21.0%
5. Climate and energy policy	5a - Reduce greenhouse gas emissions - maximum allowable increase in emissions outside the EU ETS by 9% (2005)	0.0%	Max. + 9%	7.8%***	13.3%
	5ba - Increase the share of RES in gross final energy consumption to 13% (2005)	7.1%	At least 13%	16.2%***	24.6%
	5bb - Increase the share of renewables in transport to 10% (2005)	1.1%	At least 10%	7.8%***	-22.0%
	5c - Improve energy efficiency - national energy efficiency target, i.e., reduce end-use energy consumption to a maximum of 25.3 million tonnes of oil equivalent (Mtoe) by 2020 (2014)	23.6 Mtoe	Max. 25.3 Mtoe	25.2 Mtoe***	0.4%

Source: Source: The Office of the Government of the Czech Republic, SAO's own calculations.

Note:

* Reference year means the base year.

** Reference value is the baseline value of the target.

*** The most recent data from 2019.

The green colour in the table indicates a target value met, the colour red a target value not met.

Calculation for column f: for targets 1a to c, 3b, 4, 5ba, 5bb: $(e - d)/d$

for targets 1d to e, 2, 5a, 5c: $|(e - d)/d|$

for target 3a: $(d - e)/d$

→ The Office of the Government of the Czech Republic did not sufficiently meet its obligation to coordinate economic policy instruments in order to prevent failure to meet the national objectives of the Europe 2020 Strategy.

4.8 The Office of the Government drew attention as part of NRP updates and in the RoI NRP to non-fulfilment of some of the objectives of the *Europe 2020 Strategy*, and also organised discussion roundtables on coordination of economic policy instruments with the participation of the coordinators of individual national objectives and many other stakeholders. In the fall of 2019, the roundtable on the preparation of the RoI NRP included a set of topics specifically focused on fulfilment of the national objectives, and the discussion of this set of topics mainly addressed those objectives the performance in which was problematic. Since 2019, the Office of the Government has complemented the evaluation of fulfilment of the national objectives of the *Europe 2020 Strategy* with its own comprehensive analytical activities using the "indicator database" tool. The information in the RoI NRP 2020 coming from the indicator database provides context in terms of the relative position of the Czech Republic within the EU as regards some of the national objectives. However, given the unsatisfactory trends in the national targets "*reduce the number of early school leavers to 5.5%*", "*achieve a level of public expenditure on science, research, development and innovation in the Czech Republic of 1% of GDP*" and "*increase the share of renewable sources in transport to 10%*", these activities of the Office of the Government as coordinator of the *Europe 2020 Strategy* were insufficient, as it was obliged to coordinate the economic policy instruments that promote fulfilment of the national objectives. The Office of the Government has not documented the contribution of these activities to achieving the target status, i.e. to elimination of long-term risks of not reaching the target values of some of the national objectives. The SAO sees the shortcoming in particular in the fact that the Office of the Government did not propose effective corrective measures, such as reallocation of finances from ESI Funds, adjustments to the state budget or proposals for legislative measures that would actively seek to counter the risk of not meeting the target values of the national objectives.

4.9 This shortcoming can be evidenced in particular for two unfulfilled targets out of the five that were directly under the responsibility of the Office of the Government, namely the targets "*reduce the number of early school leavers to 5.5%*" and "*achieve a level of public expenditure on science, research, development and innovation in the Czech Republic of 1% of GDP*". These targets were covered by the following strategic documents under the responsibility of the Office of the Government:

- *Government Strategy for Gender Equality in the Czech Republic 2014-2020*;
- *Strategy to Combat Social Exclusion 2016-2020*¹⁹;
- *Action Plan to the Strategy to Combat Social Exclusion 2016-2020*;
- *Innovation Strategy of the Czech Republic 2019-2030*;

¹⁹ As at 1 January 2020, the Agency for Social Inclusion (including its assigned responsibilities) was transferred from the Office of the Government to the MoRD.

- *National Policy on Research, Development and Innovation of the Czech Republic 2016-2020* (2018 update).

The SAO found that the above strategic documents under the responsibility of the Office of the Government were not updated during the period of the *Europe 2020* Strategy in a way that the updates would lead to better fulfilment of the respective national objectives, i.e., no effective measures were proposed to achieve them, including adjustments to the allocation of public funds intended to achieve the set targets.

4.10 Among the other reasons for the situation where the individual instruments of national economic policies under the responsibility of individual ministries are not coordinated from the point of the Office of the Government of the Czech Republic is also the fact that the Office did not have adequate powers to coordinate other ministries effectively. The SAO sees a shortcoming in the fact that the PA Management and Coordination Rules oblige the Office of the Government to coordinate the activities of the ministries in order to achieve the objectives of the *Europe 2020* Strategy, but Act No 2/1969 Coll., on the establishment of ministries and other central state administration bodies of the Czech Republic (hereinafter the “Competence Act”), did not entrust the Office of the Government of the Czech Republic with any authority in this regard²⁰.

4.11 But if the Office of the Government found that it lacked the necessary powers to perform the duties imposed on it by the PA Management and Coordination Rules approved by government resolution, it should have duly pointed this out and initiated adjustments to these rules to bring their provisions in line with the current distribution of powers. Or alternatively, it should have initiated a proposal to amend the Competence Act so that it could fulfil the obligations imposed on it. However, the Office of the Government did not do any of this.

Ministry of Regional Development

→ **The MoRD provided analytical information for management of the risk of non-achievement of the aim of the *Europe 2020* Strategy only for some of the objectives.**

4.12 In order to effectively eliminate the risks associated with the implementation of the ESI Funds, the MoRD has set up an integrated risk management system. This system is an analytical process that starts with gathering data on the risks, based, *inter alia*, on the output of evaluations and MoRD’s own analyses. The whole process includes registration of horizontal risks related to all Programmes, registration of Programme-specific risks and the assessment procedure for these risks. The output are action plans coordinated with the implementing bodies of the ESI Funds, including solutions with attached deadlines to avert risks and with specified solution coordinator.

²⁰ This is also evidenced by the document *Strategic Management and Planning* prepared by the MoRD for the ESI Funds Council meeting in May 2015, in which the obsolescence and lack of flexibility is mentioned of the Competence Act, and by statement of the Office of the Government itself in response to the SAO’s question of 29 March 2021: “*The individual instruments of national economic policies under the responsibility of the ministries are not systematically coordinated from the point of the Office of the Government, as the latter has no mandate to do so. The economic policy instruments are coordinated by the respective ministries, in particular the Ministry of Industry and Trade. Within its limited powers, the Office of the Government was readily facilitating debate among government institutions and other players on the economic policy measures used and their synergies.*”

4.13 The above mechanism was meant to be activated by the MoRD in the event of unsatisfactory trends in the fulfilment of the *Europe 2020* Strategy objectives, based on its own collected data on the risk of non-fulfilment of the national objectives or information from other entities of the ESI Funds implementation structure providing inputs for the integrated risk management system, in particular coordinators of the individual objectives or the coordinator of the whole Strategy (the Office of the Government). As the appropriate moment for this activation, the period can be deemed of preparation of the PR 2019 as in materials for this document, the Office of the Government clearly pointed out the risk of unsatisfactory fulfilment regarding four of the *Europe 2020* Strategy objectives, which were specifically:

- Reduce end-use energy consumption to a maximum of 1060 PJ by 2020;
- Achieve a level of public expenditure on science, research, development and innovation in the Czech Republic of 1% GDP;
- Reduce the number of early school leavers to 5.5%;
- Increase the share of renewables in transport to 10%.

4.14 On this, the SAO found that the MoRD provided analytical information for risk management for two of these targets, namely “*reduce end-use energy consumption to a maximum of 1060 PJ by 2020*” and “*achieve a level of public expenditure on science, research, development and innovation in the Czech Republic of 1% of GDP*”. The analytical information included monitoring of identified measures for risk elimination, the deadline for their implementation, identification of the coordinator of implementation of the measures, and the level of progress with the implementation of the measures as of the date of the *annual reports on the implementation of the Partnership Agreement* and the *rolling reports on the risks of implementation of the 2014-2020 Programmes*.

4.15 For the remaining two targets, “*reduce the number of early school leavers to 5.5%*” and “*increase the share of renewables in transport to 10%*”, the MoRD did not provide analytical information for managing the risk of not meeting the *Europe 2020* Strategy objective. The MoRD thus only partially fulfilled its obligation to inform about the risks of implementation of the ESI Funds in relation to fulfilment of the *Europe 2020* Strategy objectives as stipulated in the PA Management and Coordination Rules.

4.16 Based on the above findings, the SAO concludes that the Office of the Government of the Czech Republic and the MoRD monitored and evaluated trends in fulfilment of the national objectives of the *Europe 2020* Strategy. However, the actual coordination of economic policy instruments to avoid non-achievement of the national objectives of the *Europe 2020* Strategy and pertinent analytical activities were not sufficient. The Strategy’s coordinator at the national level, i.e., the Office of the Government of the Czech Republic did not have the necessary legal mandate for the coordination. The SAO further also notes that the targets set for some of the national Strategy objectives were not ambitious enough, making the effective achievement of most of the targets a relative success at best.

B. Did the audited entities provide analytical information on the contribution of the ESI Funds to meeting the Europe 2020 Strategy objectives in an effective way?

4.17 The extent to which the ESI Funds contribute to meeting the *Europe 2020* Strategy objectives is vital information for correct targeting of the different types of interventions financed from these funds. In order for the Office of the Government to be able to fulfil its duties as the *Europe 2020* Strategy coordinator and the NRP preparing body, it was essential for it to obtain information from the coordinators of strategic sub-objectives on the contribution of the ESI Funds to the achievement of these sub-objectives (information processing in a bottom-up approach). The MoRD contributed to the assessment of this contribution by preparing for it a methodological procedure. Simultaneously, the Office of the Government could have applied a top-down approach and determined the level of contribution of the ESI Funds using econometric modelling. The SAO examined whether the activities of the Office of the Government and the MoRD in evaluating this contribution were effective and met their purpose.

4.18 The PA Management and Coordination Rules set out specific obligations of the Office of the Government and the MoRD in evaluating the contribution of the ESI Funds to meeting the national objectives of the *Europe 2020* Strategy:

- The Ministry of Regional Development should have established a basic framework of rules for using aid from ESI Funds and defined all processes relating to the management and coordination of ESI Funds by providing a methodological environment consisting of a series of methodological guidelines and recommendations.
- The Office of the Government as the *Europe 2020* Strategy coordinator, in collaboration with the MoRD, was supposed to evaluate the contribution of the ESI Funds to the implementation of the NRP, which implements the *Europe 2020* Strategy objectives at the national level.

Methodological Setup for Evaluating the Contribution of ESI Funds to the *Europe 2020* Strategy Objectives

→ The MoRD has established a basic methodological framework for evaluating the contribution of the ESI Funds to the implementation of strategies.

4.19 The MoRD has prepared its own methodological procedure for evaluating the contribution of ESI Funds to the fulfilment of the objectives of strategies with the aid of finances from the ESI Funds in the *Methodological Guideline for Monitoring the Implementation of European Structural and Investment Funds in the Czech Republic in the 2014-2020 Programming Period* (hereinafter also “MG Monitoring”)²¹. The *Europe 2020* Strategy was given in this guidance document as an example of strategies to which its methodological procedures for assessing the contribution of the ESI Funds were meant to apply; see Example 1 for more details.

²¹ Subchapter 8.4.1 in MG Monitoring and related tables in Annex 22.

Example 1 - Methodological setup for evaluating the contribution of ESI Funds to the implementation of strategies

The MG Monitoring provides guidance for assessing the contribution of the ESI Funds to meeting the national objectives. Proper filling in of the individual fields in Table 2 in Annex 22 of MG Monitoring entitled *References for evaluation of the contribution of ESI Funds to the implementation of national and European strategies* would allow to assess the contribution of the ESI Funds. Column “g” in the mentioned table would contain the share of finances from the ESI Funds in the completion of individual objectives of the Strategy and column “i” the expert assessment of the contribution of the ESI Funds to fulfilment of the objectives of each strategy.

a	b	c	d	e	f	g	h	i
Strategy	Global aim of strategy	Strategic objective	Priority/are a/specific objective	Funding sources	Allocation - estimate	% implementation from ESI Funds	Funds spent (ESI Funds projects)	Contribution of ESI Funds to Strategy implementation
								Verbal evaluation

Guidance for filling in:

a-d Filled in automatically from MS2014+ based on Table 1.

e-i Filled in by the Strategy coordinator.

e Funding sources: Verbal identification or abbreviation of the source of funding for the implementation of the Strategy and its specific objectives. Funding sources may be e.g.: the state budget of the Czech Republic, ESI Funds, EU Community funds, other foreign subsidies, private sources, other sources.

f Allocation - estimate: An educated guess of the costs needed to meet the Strategy objectives.

g Share of finances from the ESI Funds in meeting the Strategy's objectives (i.e., the percentage rate of completion of the Strategy objective with the ESI Funds).

h Amount of funds allocated to projects financed by ESI Funds Programmes.

i Expert evaluation of the involvement of ESI Funds Programmes in meeting the objectives of the strategy concerned.

The following are mandatory parts of the evaluation:

- The strategy concerned in its entire context (not only the parts financed from the ESI Funds but also taking into account any national/other funding to achieve the above strategy objectives);
- The extent to which the objectives of the strategy concerned have been met, and whether this warrants a positive or negative assessment (in which aspects the objective has been met from the ESI Funds and in which not);
- Which specific activities have and have not been successfully implemented with ESI Funds and why;
- The quality of the projects included in the objective - the risks and challenges involved in meeting the objective;
- Planned activities for the next period.

Note: Column “g” and the corresponding note were highlighted in colour by the SAO.

4.20 The MG Monitoring does not specify in detail the methods to be used by the Strategy coordinator to evaluate the contribution of the ESI Funds to the individual Strategy objectives. Nevertheless, the SAO considers this methodological framework to be a suitable standard for assessing whether the evaluation of the contribution is adequate, and it gives an answer to the question posed in paragraph 2.6.

→ The methodological procedures devised by the Ministry of Regional Development that would ensure proper evaluation of the contribution of the ESI Funds to fulfilment of the Europe 2020 Strategy objectives were not binding for the Europe 2020 Strategy coordinator.

4.21 The methodological procedures in the MG Monitoring that were meant to ensure proper evaluation of the contribution of ESI Funds to the achievement of the *Europe 2020* Strategy objectives in the scope and quality required by European legislation¹¹ were approved by the Czech government²². Although the MG Monitoring lists the *Europe 2020* Strategy among the strategies to which its methodological procedures for evaluating the contribution of the ESI Funds should apply, the draft relevant government resolution submitted by the MoRD surprisingly did not contain a provision obliging the Office of the Government of the Czech Republic to proceed in accordance with MG Monitoring. The SAO found that in practice the provisions of MG Monitoring were not followed by the Office of the Government. The methodological procedures thus can be considered only a non-binding guide for the *Europe 2020* Strategy coordinator on how to assess the contribution of the ESI Funds to the implementation of this Strategy.

4.22 The Office of the Government of the Czech Republic did not obtain the necessary analytical information on the contribution of ESI Funds to fulfilment of most national objectives relating to preparation, coordination and monitoring of the implementation of the NRP in the 2014-2020 period, with the exception of analytical information facilitating assessment of progress in meeting the R&D objective. This information was not obtained by the Office of the Government even in preparing the relevant part of the PR 2019 on which it collaborated with the MoRD and which contained only descriptive information that by its nature does not evaluate the contribution of ESI Funds to fulfilment of the *Europe 2020* Strategy objectives (see paragraph 4.24 et seq.).

4.23 The Office of the Government of the Czech Republic prepared within the framework of Project 079 studies on the contribution of the ESI Funds to GDP growth, but these did not help the purpose of evaluating the contribution of the ESI Funds to meeting the objectives of the *Europe 2020* Strategy, the main aim of which was to achieve smart, sustainable and inclusive growth. Even the fact that these studies were of top quality and were used in the discussion on the setup of cohesion policy after 2020 does not alleviate the outcome of not having met the target (see paragraph 4.30 et seq.).

²² The MoRD submitted the MG Monitoring to the government for approval in two separate parts: the first part was discussed by the Government on 15 January 2014 and adopted by Resolution of the Government of the Czech Republic No. 44 of 15 January 2014 *on the Set of methodological documents for monitoring, public procurement, publicity and communication and preparation of Programme management documentation in the programming period of 2014-2020*, and the second part was discussed by the Government on 9 July 2014 and adopted by Resolution of the Government of the Czech Republic No. 536 of 9 July 2014, *on the Set of methodological documents for monitoring the European Structural and Investment Funds in the programming period of 2014-2020*.

4.24 The fact that the European Commission accepted the documents, which were supposed to contain a proper evaluation of the contribution of the ESI Funds to achieving the objectives of the *Europe 2020* Strategy, in the form in which they were sent to it by the Ministry of Regional Development or the Office of the Government, also does not negate their failure in meeting their obligations.

Assessing the Contribution of ESI Funds to Meeting the *Europe 2020* Strategy Objectives Using the Bottom-Up Approach to Information Processing

→ The evaluation of the contribution of ESI Funds to the fulfilment of the *Europe 2020* Strategy objectives was performed inconsistently and to an insignificant extent only.

4.25 The contribution of the ESI Funds to meeting the national objectives of the *Europe 2020* Strategy was assessed by the Office of the Government in conjunction with the MoRD in the NRP, the RoI NRP, the PR 2017 and the PR 2019 as well as in the documents in which the Office of the Government was annually forwarding this information to the European Commission under the European Semester.

4.26 However, the information provided in the NRP 2014-2020 and other documents mentioned above is almost solely descriptive. Mostly these are numerical data on the progress status of individual national objectives (or trends in these), which are usually sourced from Eurostat, or the Czech Statistical Office (hereinafter also “CZSO”), and verbal descriptions of the current situation in the monitored area including measures that have been implemented (mainly) at the national level in the given area. Nevertheless, the actual assessment of the contribution of ESI Funds to the described situation is mostly lacking.

4.27 The SAO broke down the information contained in the above documents into quality classes according to the degree in which it evaluates the contribution of ESI Funds to meeting the national objectives and created based on this a global overview, which is presented in Chart 1.

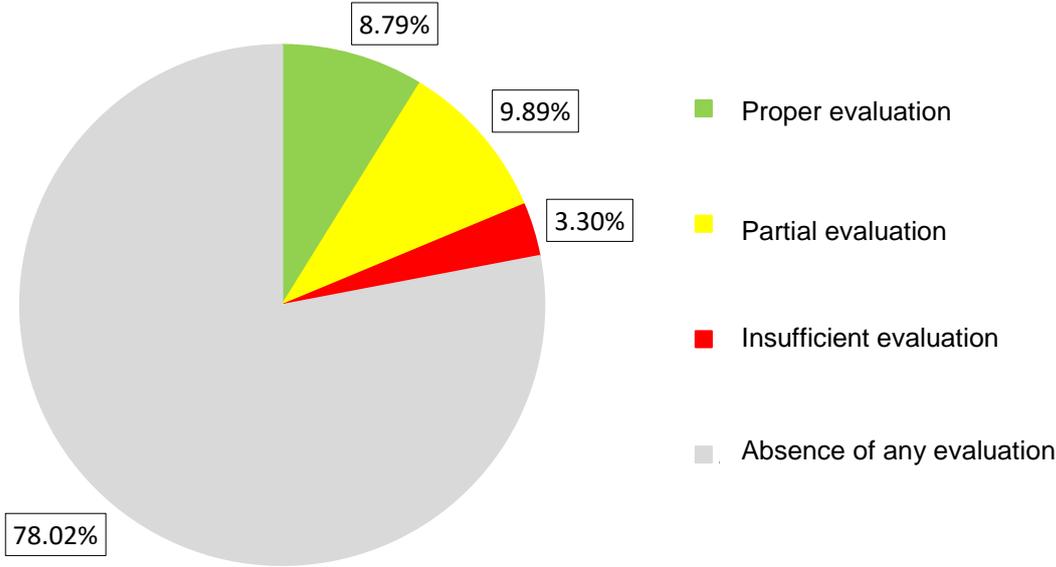
4.28 The only national objective for which evaluation of the contribution of ESI Funds to its achievement was regularly and properly carried out (with the exception of the NRP 2016 and the PR 2019) was the R&D objective²³. In its assessment, the Office of the Government, which was in charge of coordination of this objective, compared (in the form of commentaries or at least charts) as part of the NRP 2014-2020 and the PR NRP 2019-2020 (with the exception of the NRP 2016 and PR 2019 mentioned above) the contribution of private, national and foreign (especially EU) sources, with foreign contributions identified as smaller in volume. Although their material contribution to meeting the national objectives is not specified or quantified, this is a case of good practice in evaluating the contribution of the ESI funds to the implementation of the NRP and to fulfilment of the national objectives.

4.29 Chart 1 shows the percentage rates of the different extents of evaluation of the contribution of the ESI funds to meeting the national objectives for seven years of editions of the NRP (2014-2020) and for all the 13 national objectives (i.e., a total of 91 separate cases were assessed, or combinations of individual NRP editions and individual national objectives).

²³ The national target “Achieve a level of public expenditure on science, research, development and innovation in the Czech Republic of 1% GDP”.

4.30 The SAO found that the Office of the Government did not act in accordance with the provisions of the PA Management and Coordination Rules, as it did not carry out evaluations of the contribution of ESI Funds to the implementation of the NRP or to meeting the national objectives, either independently or in collaboration with the MoRD, over the entire validity period of the PA Management and Coordination Rules, i.e., since 12 June 2013. The exceptions were the regularly evaluated national R&D objective (except for the 2016 NRP) and two other cases of target evaluation, namely the target “reduce the youth unemployment rate (15 to 24-year-olds) by one third against 2010” in the 2017 NRP and the target “increase the share of renewables in transport to 10%” in the 2019 NRP; starting from the 2016 NRP in relation to the contribution of ESI Funds, the national energy efficiency target was also regularly evaluated but the evaluation was only partial. Example 2 shows cases of proper, partial and insufficient evaluation of the contribution of the ESI Funds to meeting the national objectives as assessed by the SAO.

Chart 1: How evaluation of the contribution of ESI Funds to meeting the national objectives in the NRP 2014–2020 was performed



Source: SAO based on NRP 2014-2020.

Example 2 - Examples of how comprehensively the rate of contribution of ESI Funds to meeting the national objectives was evaluated

A **proper evaluation of the contribution** of ESI Funds to meeting the national objectives was performed for the R&D target. In its assessment, the Office of the Government, which was in charge of coordination of this objective, compared (in the form of commentaries or at least charts) as part of the NRP 2014-2020 and the RoI NRP 2019-2020 (with the exception of the NRP 2016) the respective contributions of private, national and foreign (in particular EU) sources, with foreign contributions found to be smaller in volume. Although their material contribution to meeting the national objectives is not specified or quantified, **this is a case of good practice in evaluating the contribution of ESI Funds to the implementation of the NRP and the fulfilment of national objectives.** For example, the 2019 NRP states in relation to the R&D target: *“Another and no less important component of overall R&D expenditure are foreign public funds that became more prominent from 2011, specifically in connection with using aid from the EU funds in the 2007-2013 programming period, with the use of these funds peaking in 2014 and 2015. The year-on-year decline in total R&D expenditure in 2016 was caused by a major drop in the share of foreign public funds, which went down to CZK 2.7 billion (in a decrease by CZK 11.2 billion), i.e., approximately 2010 levels, which is due to transition to the new ESIF programming period. In 2017, a gradual increase can be seen in the share of foreign public funds to CZK 4.3 billion.”*

A **partial evaluation of the contribution** of ESI Funds to meeting the national objectives was carried out, for example, in the case of the employment targets in the 2018 NRP. The evaluation specifies the material contribution of the ESI Funds to completion of the objectives, but it is unclear to what extent other funds were involved to that end. For example, the 2018 NPR states: *“The ESIF in this area directly focus on promoting employment and employability of people who face various disadvantages in the labour market and who, despite the current positive trends, have difficulties finding a job. 53,552 people have already been aided through various instruments. Among these were e.g. 8,476 people under the age of 25, 6,796 people over 54 and 9,366 people with primary education at the highest. Of these, 14,120 have already received proof of having completed the training programme.”*

An **insufficient evaluation of the contribution** of ESI Funds to meeting the national objectives is a statement that, although relevant for evaluation of the contribution, does not qualify as an evaluation e.g. due to being too generic, or contributing to meeting the objective only partially. For example, the 2017 NRP states, among other things: *“In accordance with the Children’s Group Act and pertinent amendment to the Income Tax Act involving pro-family tax measures, there are currently 272 registered children’s groups with over 3,700 places, which is an increase by 181 children’s groups and approximately 2,380 places from last year. There is continuing support for projects from the OP Employment.”* Here it is logical to expect a positive impact of this type of interventions on growth in employment, especially of women, but the actual contribution to the completion this objective is not quantified.

Assessing the Contribution of ESI Funds to Meeting the Objectives of the *Europe 2020* Strategy Using the Top-Down Approach to Information Processing

→ The econometric models used to prepare the outputs of Project 079, despite their undeniable quality, failed to evaluate the contribution of the ESI Funds to fulfilling the objectives of the *Europe 2020* Strategy and thus failed to achieve the purpose of the project.

4.31 In order to more accurately assess the contribution of ESI Funds to meeting the national objectives of the *Europe 2020* Strategy and to observe the requirement set out in the PA Management and Coordination Rules, the Office of the Government submitted a project application for Project 079, which was approved by the MoRD²⁴. The SAO examined whether the Office of the Government and the Ministry of Regional Development acted in accordance with the obligations of the beneficiary and the provider respectively of aid from the OP TA.

4.32 The Office of the Government used in the implementation of Project 079 the econometric models QUEST²⁵ and RHOMOLO²⁶. The result of this modelling was a determination of the extent of the contribution of ESI Funds to economic output. However, in order for these results to meet the task specifications in the project's objective, which is to evaluate the contribution of ESI Funds to the different objectives (in terms of time and scope) of the *Europe 2020* Strategy, the preparing body would have to fundamentally alter the parameters of the model used or interpret its outputs in such a way as to refer to the specified task, or devise an entirely new model that would fully meet the needs of the task. However, the content of the studies compiled does not suggest any of the above.

4.33 The models used and the analytical outputs based on them did not result in fulfilment of the objectives of Project 079. The actual *Europe 2020* Strategy as well as the individual national objectives are completely disregarded in the outputs of Project 079. Moreover, the Office of the Government did not proceed in accordance with the specified conditions of aid as it did not inform the managing authority of the impossibility to fulfil the purpose of the

²⁴ Four months before the submission of Project 079, the MoRD did not approve for the Office of the Government of the Czech Republic the project No CZ.08.1.125/0.0/0.0/15_001/0000071 with the same name. In its decision, the MoRD stated that the project did not account in sufficient detail for the links between the projects and other national strategies.

²⁵ The first version of the QUEST model devised by DG ECFIN (EU's Directorate General for Economic and Financial Affairs) dates back to 1988. Since then, the model has been continuously improved and, at the time of implementation of Project 079, was available in its third generation. According to research prepared by the Office of the Government, it is a dynamic stochastic general equilibrium model "that describes the economy at the macroeconomic level. The model outputs are represented by impulse response functions that indicate the direction and magnitude of change in the variable concerned. Also used in these contexts is the sc. counterfactual analysis, which compares the trajectories of variables under unchanged conditions and under the alternative being examined." In Project 079, it was used in version QUEST III R&D that complements the R&D sector, which allows for a semi-endogenous growth framework.

²⁶ RHOMOLO is a "spatially computable general equilibrium model of the European Commission, developed by the Directorate General of the Joint Research Centre (DG JRC) in collaboration with the Directorate General for Regional and Urban Policy (DG REGIO) to support EU policy makers that provide simulations of individual sectors, regions and time-specific investment policies and structural reforms." It is a spatial general equilibrium model for NUTS2 regions. According to documents of the Office of the Government, "it is used to assess the impact of policies that are sectoral or regional in nature, as the model is highly detailed."

project. The Office of the Government failed to fulfil this purpose of Project 079 defined in the approved aid application as “*determining the contribution of investments from the ESI Funds to the achievement of the Europe 2020 strategy objectives and the Council recommendations*”. The SAO assessed the breach of the obligation of the Office of the Government to fulfil the purpose of the aid provided as a fact indicating a breach of budgetary discipline in the amount of CZK 1,349,357.41 within the meaning of Act No. 218/2000 Coll., on budgetary rules and amending certain related acts (Budgetary Rules)²⁷. The failure to fulfil the purpose of the project also led to an irregularity²⁸ within the meaning of Article 2 of the General Regulation of up to CZK 1,146,953.79 (the amount paid from the EU budget).

4.34 Project 079 outputs deal with the influence of ESI Funds on the economy of the Czech Republic and individual NUTS2 regions by quantifying the effect of ESI Funds on GDP. Given that GDP is a standard indicator of cohesion of EU Member States and their regions, the Project 079 outputs were a valid contribution to the discussion on targeting the interventions from the ESI Funds in the post-2020 programming period. For example, the Ministry of Labour and Social Affairs used the outputs of the analysis to argue in negotiations for the importance of investing in human resources during the economic crisis and for future programming periods and to negotiate a higher allocation for the Operational Programme *Employment+*. However, the use of actual outputs of the project in practice does not change the fact that the project has not fulfilled its purpose.

4.35 Due to the limited scope of outputs of Project 079, only limited data was available to set the architecture for the following 2021-2027 programming period, which was an important sub-objective of the project²⁹. This is because one of the evaluation criteria for the defined specific objectives of the *National Concept for the Implementation of Cohesion Policy in the Czech Republic after 2020* (hereinafter also “NCI”) directly concerns expert estimate of the expected share of EU funds in the achievement of a specific objective. It is thus desirable for socio-economic analyses to be available for these estimates, the output of which would be consistent with the methodological setting for the assessment of the contribution of ESI Funds to the *Europe 2020* Strategy objectives³⁰. This methodological setting provides a rational framework for the development of econometric models determining the share of ESI Funds in strategic objectives, regardless of the programming period. If this methodological setup was respected in Project 079 when evaluating the contribution of ESI Funds to meeting the strategic objectives, the project outputs could have been used in making expert evaluations of the specific objectives of the NCI after 2020. However, the conclusions of studies compiled under the framework of Project 079 were not and could not have been used for estimating the share of ESI Funds in meeting the specific objectives of the NCI in the 2021-2027 programming period.

²⁷ Section 44 (1) (a), (b) of the Act.

²⁸ Article 2 (36) of the General Regulation defines an irregularity as “*any breach of Union law, or of national law relating to its application, resulting from an act or omission by an economic operator involved in the implementation of the ESI Funds, which has, or would have, the effect of prejudicing the budget of the Union by charging an unjustified item of expenditure to the budget of the Union.*”

²⁹ In the approved aid application, the Office of the Government stated that the outputs should be usable “*for potential use in negotiations on the future architecture of cohesion policy after 2020*”.

³⁰ According to chapter 8.4 in MG Monitoring.

→ **The Ministry of Regional Development, as the aid provider, approved the project objective that was not achievable. The follow-up audit in which the aid provider reviewed the outputs of the evaluation of the contribution of ESI Funds to meeting the *Europe 2020* Strategy objectives was only formal and ineffective.**

4.36 The MoRD approved in the project application for Project 079 econometric models that were subsequently used by the beneficiary, although these models in themselves did not and could not have led to completing the objective of Project 079. The objective of Project 079 was not achievable with this approach and hence it was set in breach of the principles of sound financial management³¹.

4.37 Although the SAO did not find any shortcomings in the actual setup of the review procedures, the Ministry of Regional Development did not challenge the content or quality of the studies during any of the audits carried out on Project 079. The MoRD accepted the submitted project outputs although these outputs in terms of their scope did not meet the stated project objective.

4.38 Neither during the administrative review nor during the actual on-site audit did the MoRD assess the content and quality aspects of the outputs of Project 079 (i.e., of the studies compiled). The verification and review of the project outputs hence was carried out only formally under the administrative review of the submitted implementation reports and applications for payment, using checklists. To verify the project outputs, the Ministry of Regional Development only required that the target value was formally met of the indicator “*number of written and published strategic documents (including evaluation documents)*”.

4.39 With a view to the above, the SAO concludes that the review system of the OP TA as part of the administration of Project 079 was not implemented effectively by the Ministry of Regional Development.

→ **The SAO identified examples of good practice in evaluating the contribution of ESI Funds to meeting the *Europe 2020* Strategy objectives both in the Czech Republic and in other EU member states.**

4.40 The SAO lists examples of good practice from abroad, specifically from Poland³² (see Example 3 in Annex 2) and Italy³³ (see Example 4 in Annex 2).

4.41 As part of this audit, the SAO also commissioned an expert³⁴ to carry out multi-criteria analysis of interventions from the ESI Funds in the area of convergence and fulfilment of sustainable development objectives conveyed through the *Europe 2020* Strategy (see Annex 3) in order to verify feasibility of evaluation of the contribution of ESI Funds to meeting the *Europe 2020* Strategy objectives. The full text of this analysis is attached to the audit report

³¹ According to Article 30 (3) of Regulation (EU, EURATOM) No. 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No. 1605/2002.

³² *Oszacowanie i ocena wkładu RPO WP w realizację celów Strategii Europa 2020* (Annex to Progress Report for the *Regional Operational Programme of Subcarpathian Voivodeship* (hereinafter also “ROP WP”), Poland), *Evaluation and assessment of the contribution of the ROP of Subcarpathian Voivodeship to the achievement of the Europe 2020 Strategy objectives*.

³³ *Relazione sullo stato dei lavori dell'Accordo di Partenariato al 31 dicembre 2018* (progress report, Italy), *Report on the status of progress of works on the Partnership Agreement as at 31 December 2018*.

³⁴ Author: economist Mr. Petr Zahradník

submitted to the Office of the Government of the Czech Republic. The SAO recommends the analysis to the MoRD and the Office of the Government for potential use for instance in commissioning and implementing similar projects to Project 079 in the coming periods, as it confirms feasibility of multi-criteria analysis of the effect of the ESI Funds on the fulfilment of selected strategic objectives.

4.42 The SAO concludes that examples of good practice for evaluating the contribution of ESI Funds to meeting the national objectives can be roughly divided into three categories:

- Econometric modelling (Example 3 in Annex 2);
- A simple comparison of the amounts of funds invested, broken down by source, and correlating these resources with the objectives achieved (Example 4 in Annex 2);
- Provision of the necessary analytical documents needed for the evaluation, including a multi-criteria analysis (Annex 3).

4.43 Based on the above findings, the SAO concludes that the setup of the methodological procedures for evaluating the contribution of the ESI Funds to meeting the national objectives of the *Europe 2020* Strategy was sufficient. However, these procedures were not set as binding for the Strategy's coordinator - the Office of the Government of the Czech Republic, which did not follow them in practice at least voluntarily.

The Office of the Government of the Czech Republic did not obtain the necessary analytical information on the contribution of ESI Funds to the achievement of most national objectives relating to preparation, coordination and monitoring of the implementation of the NRP in the 2014-2020 period, with the exception of the target concerning the level of public expenditure on R&D.

The Office of the Government of the Czech Republic prepared as part of Project 079 studies on the contribution of the ESI Funds to GDP growth, but these did not aid the objective of evaluating the contribution of the ESI Funds to meeting the objectives of the *Europe 2020* Strategy, the key aim of which was to achieve smart, sustainable and inclusive growth. The Office of the Government of the Czech Republic received funds for the project from the OP TA, while the Ministry of Regional Development, as aid provider, did not challenge the above shortcoming of the project.

The activities of the Office of the Government of the Czech Republic and the MoRD in providing information on the contribution of ESI Funds to the fulfilment of the *Europe 2020* Strategy objectives are assessed by the SAO as ineffective.

List of abbreviations used:

CR	Czech Republic
CZSO	Czech Statistical Office
PA	<i>Partnership Agreement for the programming period of 2014-2020</i>
ERDF	<i>European Regional Development Fund</i>
ESF	<i>European Social Fund</i>
ESI Funds	European Structural and Investment Funds
ESIF	European Structural and Investment Funds
EU ETS	European Union Emissions Trading System (EU ETS)
EU	European Union
GDP	Gross domestic product
Competence Act	Act No 2/1969 Coll., on the establishment of ministries and other central state administration bodies of the Czech Republic
MoRD	Ministry of Regional Development
MG Monitoring	<i>Methodological Guideline for Monitoring the Implementation of European Structural and Investment Funds in the Czech Republic in the 2014-2020 Programming Period</i>
Mtoe	Million tonnes of oil equivalent
NCI	<i>National Concept for the Implementation of Cohesion Policy in the Czech Republic after 2020</i>
SAO	Supreme Audit Office
NCA	National Coordination Authority (MoRD)
NRP	<i>National Reform Programme</i>
NUTS2	Cohesion Regions (according to the <i>Nomenclature of Units for Territorial Statistics</i>)
General Regulation	Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006
OP TA	Operational Programme <i>Technical Assistance 2014-2020</i>
RES	Renewable energy sources
Project 079 / Project	<i>Project Evaluation of the Contribution of the ESI Funds to the Implementation of the Europe 2020 Strategy</i>

Implementing Regulation	Commission Regulation (EU) 2015/207 of 20 January 2015 laying down detailed rules implementing Regulation (EU) No 1303/2013 of the European Parliament and of the Council as regards the models for the progress report, submission of the information on a major project, the joint action plan, the implementation reports for the investment for growth and jobs goal, the management declaration, the audit strategy, the audit opinion and the annual audit report and the methodology for carrying out the cost-benefit analysis and pursuant to Regulation (EU) No 1299/2013 of the European Parliament and of the Council as regards the model for the implementation reports for the European territorial cooperation goal
ROP	Regional Operational Programme
RPO WP, ROP WP	<i>Regional Operational Programme of Subcarpathian Voivodeship</i>
<i>Europe 2020 Strategy</i>	<i>Europe 2020 – A strategy for smart, sustainable and inclusive growth</i>
Strategy	(identical to the acronym “ <i>Europe 2020 Strategy</i> ”)
OoG	Office of the Government of the Czech Republic
R&D	Research, development and innovation
PR	Progress report on the implementation of the <i>Partnership Agreement for the programming period of 2014-2020</i>
RoI NRP	Report on the implementation of the <i>National Reform Programme</i>

Overview of the Czech Republic's National Objectives under the *Europe 2020* Strategy and Their Development

Employment

The national employment targets were set as follows:

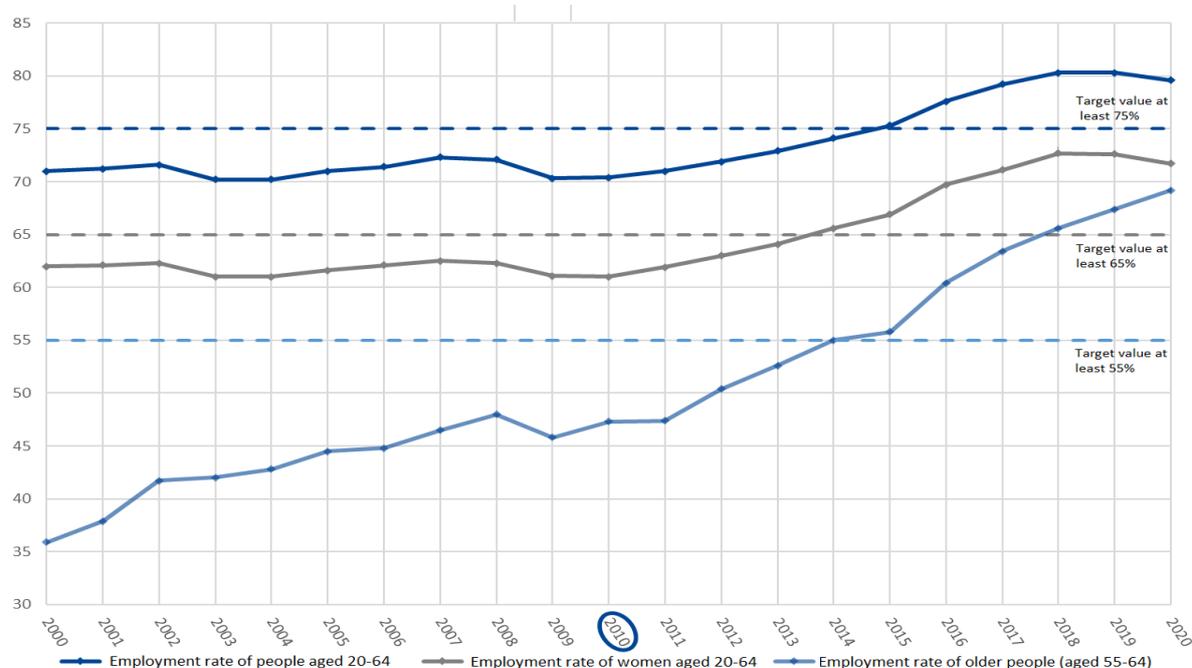
- Increase the overall employment rate for people aged 20-64 to at least **75%**;
- Increase the employment rate of women (aged 20-64) to at least **65%**;
- Increase the employment rate of older people (aged 55-64) to at least **55%**;
- Reduce the youth unemployment rate (15 to 24-year-olds) **by one third** against 2010, i.e., to 12.2% at the highest;
- Reduce the unemployment rate of low-skilled persons (level ISCED 0–2) **by one fourth** compared to 2010, i.e., to 18.75% at the highest.

The national target of raising the employment rate for the 20-64 age group to at least 75% was achieved in 2015, specifically in the third quarter of 2015, when the employment rate for the 20-64 age group rose to 75.1%. The indicator grew until the end of 2019, with a slight decline in 2020. In the fourth quarter of 2020, the indicator was at 79.6%, i.e. the target was exceeded by 4.6%.

The national target to increase the employment rate of women in the 20-64 age group to at least 65% was reached in the fourth quarter of 2014 (65.6%). In the fourth quarter of 2020, the indicator scored 71.7%, i.e. the target was exceeded by 6.7%.

The national target to increase the employment rate of older people (aged 55-64) to at least 55% was reached in 2014. The employment rate for older people rose steadily and was reported at 69.2% in the fourth quarter of 2020, exceeding the target by 14.2%.

Chart 2: Employment rates in the Czech Republic (percentages)



Source: Eurostat, Office of the Government of the Czech Republic.

Note: The figures are always for the fourth quarter of the year.

The national target of reducing the youth (age group 15-24) unemployment rate by a third compared to 2010, i.e., to 12.2% at the highest, was met in 2015, specifically in the third quarter. In the fourth quarter of 2020, the indicator was at 9.3%. The target was exceeded by 2.9%.

The national target of reducing the unemployment rate for low-skilled persons (level ISCED 0–2)³⁵ by one fourth compared to 2010, i.e., to 18.75% at the highest, was met in the first quarter of 2017. In the fourth quarter of 2020 the indicator was reported at 12.6%. The target was exceeded by 6.15%.

All the set national employment targets were achieved.

Chart 3: Unemployment rates in the Czech Republic (percentages)



Source: Eurostat, Office of the Government of the Czech Republic.

Note: The figures are always for the fourth quarter of the year.

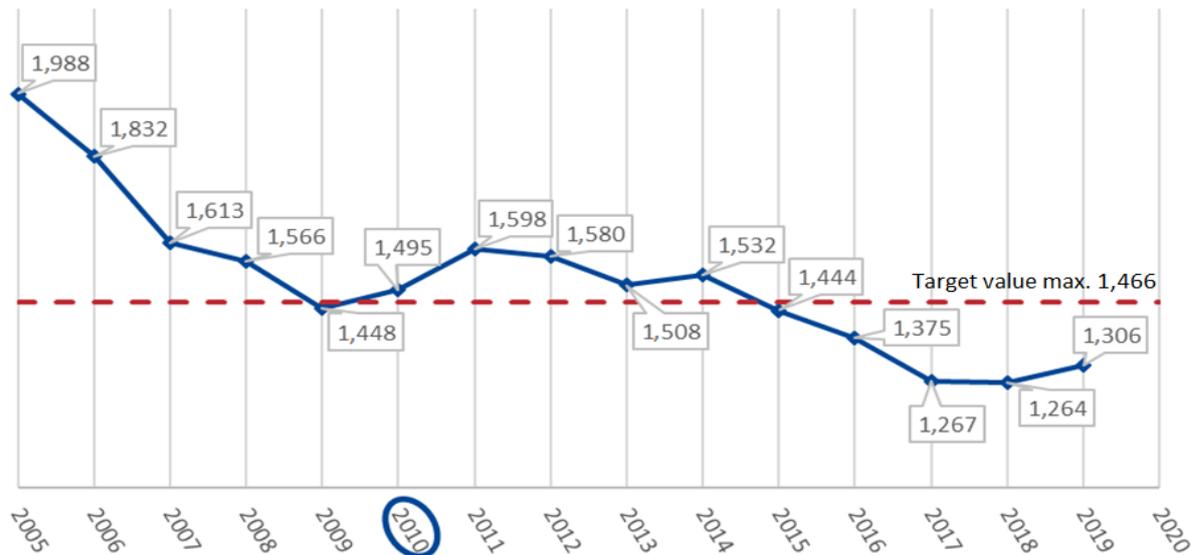
³⁵ Means people with completed primary education at the highest.

Poverty and social exclusion

The national target was to reduce the number of people at risk of poverty, material deprivation or living in very low labour intensity households by 100,000 people compared to 2008 (1,566 thousand persons), which means to 1,466 thousand persons.

The most recent figure for 2019 is 1,306 thousand people, which is a reduction by 260,000 persons compared to 2008. The Czech Republic's national poverty target has been consistently met since 2015.

Chart 4: Number of people at risk of poverty (in thousands)

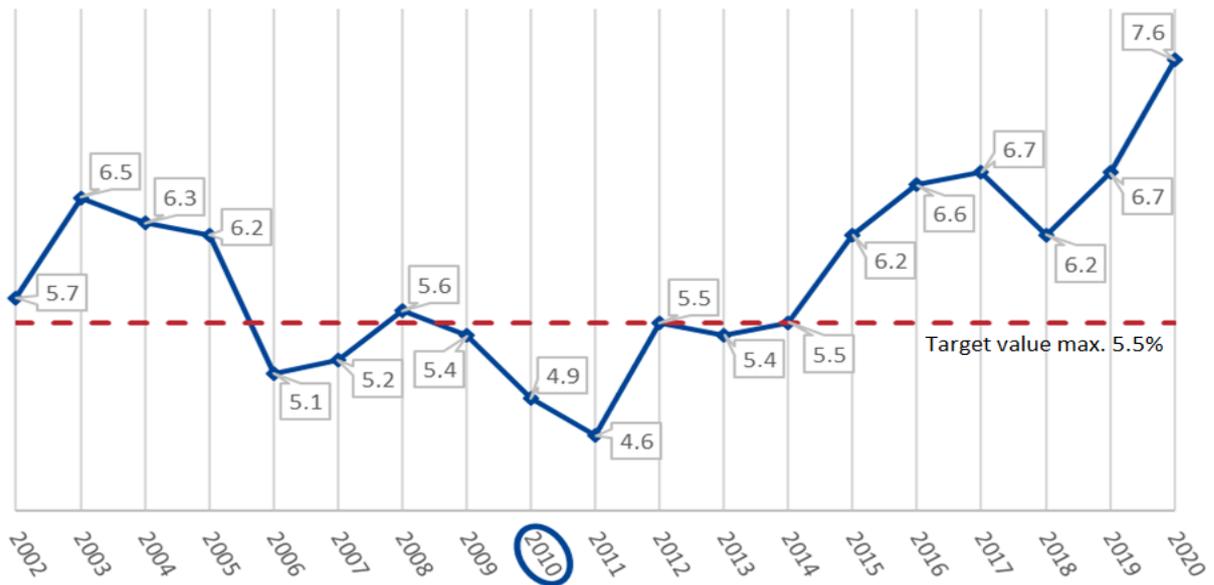


Source: Eurostat, Office of the Government of the Czech Republic.

Education

The national target of reducing the share of early school leavers to 5.5% was achieved in 2012. There was a slight improvement in 2013, but since 2014 the indicator has been rising on average. In 2020, the indicator even reached 7.6%. **The Czech Republic's national target is not being met in the long term.**

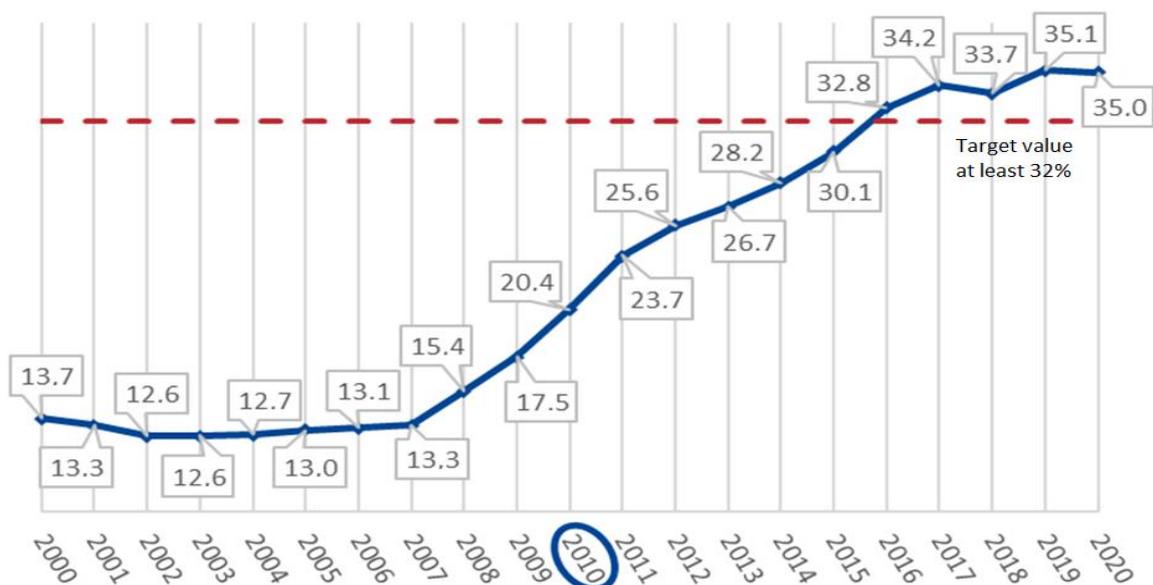
Chart 5: Number of early school leavers (percentages)



Source: Eurostat, Office of the Government of the Czech Republic.

The national target of achieving a 32% share of people aged 30-34 with tertiary education has been consistently met since 2016. The share continued to grow in subsequent years as well, reaching 35% in 2020.

Chart 6: Share of people aged 30-34 with tertiary education (percentages)

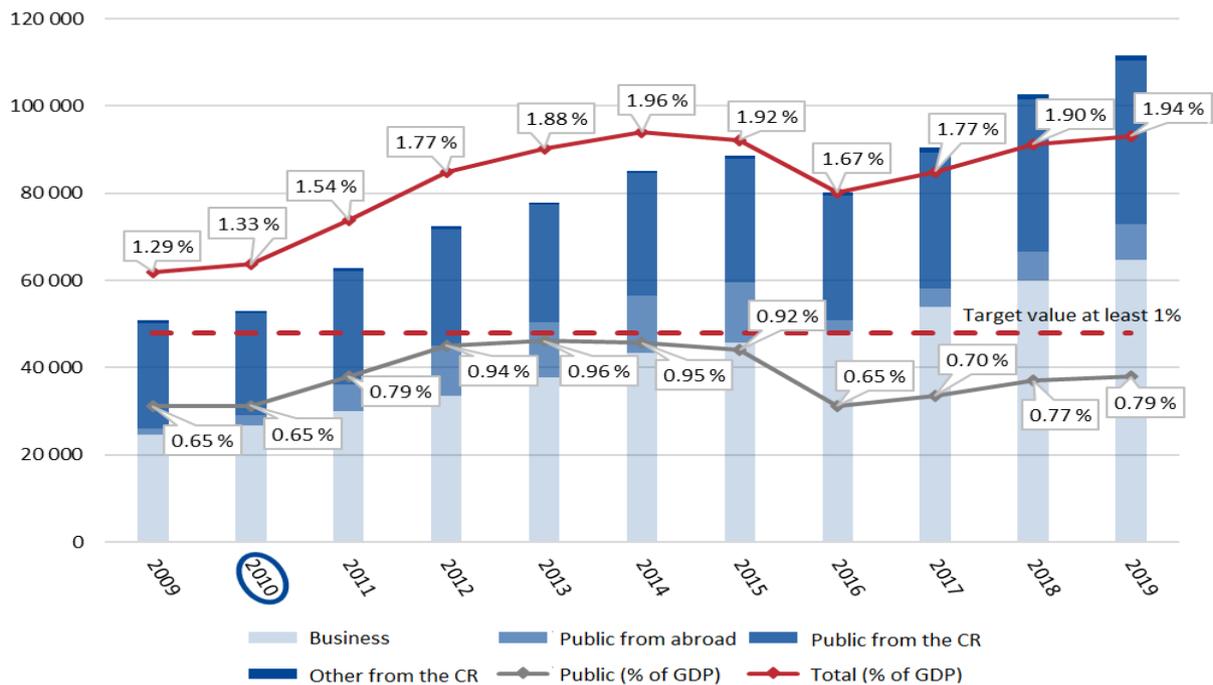


Source: Eurostat, Office of the Government of the Czech Republic.

Research, development and innovation

The total R&D expenditure except in 2016 and 2017 was growing. The CR came close to meeting the national target “Achieve a level of public expenditure on science, research, development and innovation in the Czech Republic of 1% GDP” in 2012 to 2015. In 2016, there was a decline, mainly due to a substantial reduction in the use of foreign public funds within the context of transition to the next ESIF spending period. The subsequent periods then show gradual growth, but fail to reach the indicator value of 1% of GDP. In 2019, the indicator was 0.79%. **The Czech Republic did not meet the national target for research, development and innovation.**

**Chart 7: R&D expenditures in the Czech Republic by funding sources
(in CZK million, % of GDP)**

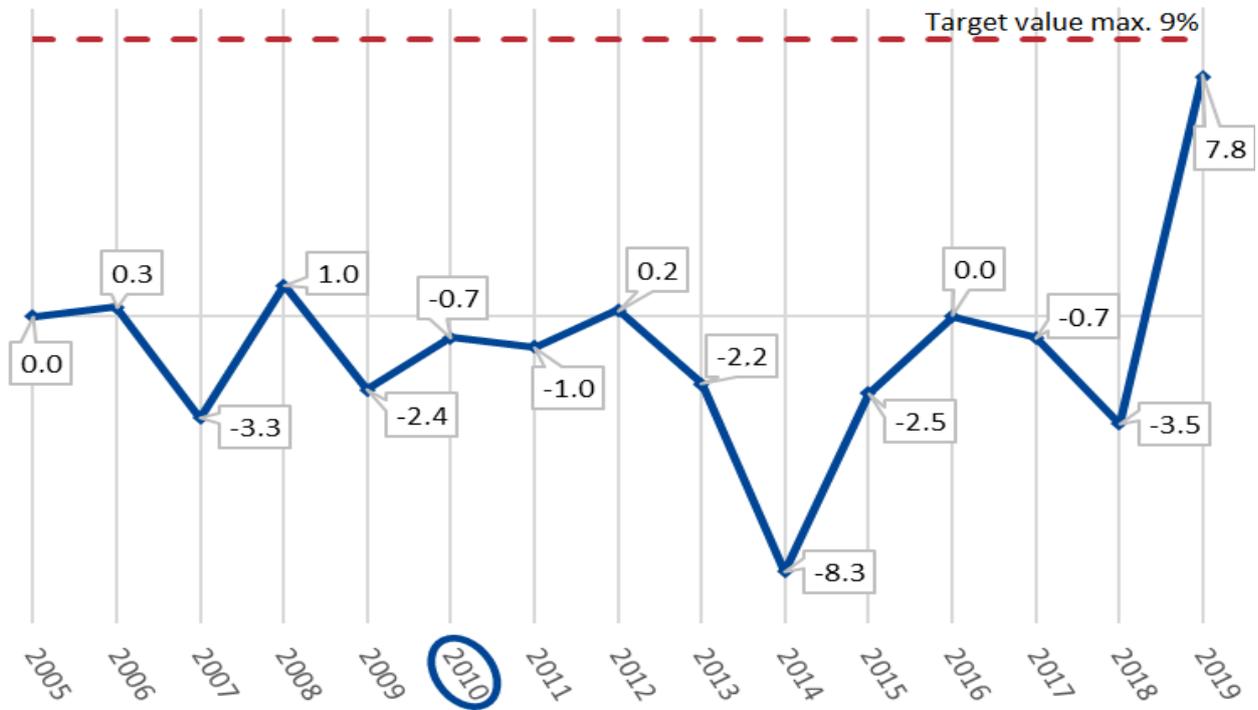


Source: CZSO.

Climate and energy policy

The national greenhouse gas reduction target has been set as a maximum allowable increase in emissions outside the EU ETS³⁶ of 9%. For 2019 preliminary data is available so far, suggesting an increase by 7.8%; the actual figure should be lower³⁷. The target has been met.

Chart 8: Increase in non-EU ETS greenhouse gas emissions (change percentage against 2005)



Source: Eurostat, Office of the Government of the Czech Republic.

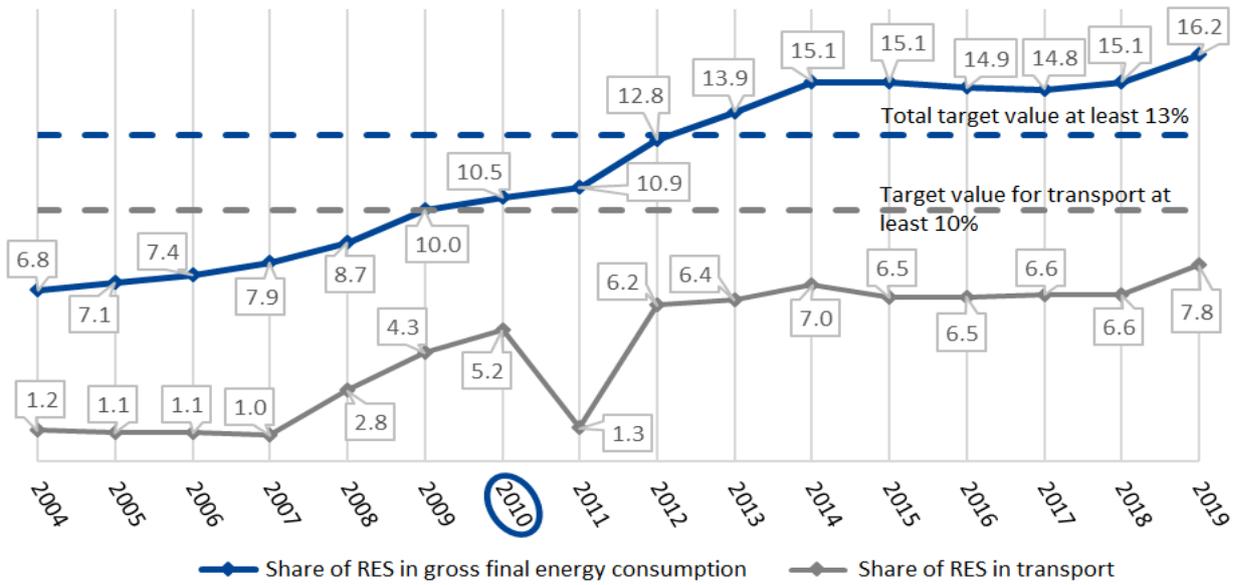
The target “*Increase the share of RES in gross final energy consumption to 13%*” has been consistently met since 2012. In 2019 the indicator was at 16.2%.

The rate of fulfilment of the target “*increase the share of renewables in transport to 10%*” has been increasing on average since 2012, reaching 7.8% in 2019. **The national target of a 10% share in the Czech Republic has not been met.**

³⁶ European Union Emissions Trading System.

³⁷ Source: *Analytical assessment of fulfilment of the national targets of the Europe 2020 strategy*, published by the Office of the Government of the Czech Republic in 2021.

Chart 9: Share of RES in gross final energy consumption (percentages)



Source: Eurostat, Office of the Government of the Czech Republic.

The target of reducing end-use energy consumption to a maximum of 25.3 million tonnes of oil equivalent has been met. The indicator has been declining since 2010, but between 2014 and 2017 there was a rise in energy consumption, and in 2017 the set maximum value was even exceeded at 25.5 million tonnes of oil equivalent. Since 2017 there has been a slight decrease again. In 2019, end-use energy consumption in the Czech Republic reached 25.2 million tonnes of oil equivalent.

Chart 10: End-use energy consumption (million tonnes of oil equivalent)



Source: Eurostat, Office of the Government of the Czech Republic.

Table 2: Trends in values of the national targets

Area	National objective (reference year)	Reference value*	Fulfilment status						
			as of 31/12/2020 (or last known status)	31/12/2019	31/12/2018	31/12/2017	31/12/2016	31/12/2015	31/12/2014
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.
1. Employment	1a - Increase the overall employment rate for people aged 20-64 to 75% (2010)	70.4%	79.6%	80.3%	80.3%	79.1%	77.6%	75.3%	74.2%
	1b - Increase the employment rate of women (aged 20-64) to 65% (2010)	60.9%	71.7%	72.7%	72.7%	71.1%	69.7%	66.7%	65.6%
	1c - Increase the employment rate of older people (aged 55-64) to 55% (2010)	46.5%	69.2%	67.4%	65.6%	63.4%	60.4%	55.8%	55.0%
	1d - Reduce the youth unemployment rate (15 to 24-year-olds) by one third against 2010 (2010), i.e., to 12.2% at most	18.3%	9.3%	5.5%	6.1%	6.4%	10.8%	11.4%	14.8%
	1e - Reduce the unemployment rate of low-skilled persons (level ISCED 0–2) by one fourth compared to 2010 (2010), i.e., to 18.75% at most	25%	12.6%	10.2%	10.9%	10.4%	19.0%	23.2%	22.0%
2. Poverty and social exclusion	2 - Reduce the number of people at risk of poverty, material deprivation or living in very low labour intensity households by 100 000 people compared to 2008 (2008), i.e., to 1,466 thousand at most.	1,566 (in thousands of persons)	**	1,306	1,264	1,267	1,375	1,444	1,532
3. Education	3a - Reduce the number of early school leavers to 5.5% (2010)	4.9%	7.6%	6.7%	6.2%	6.7%	6.6%	6.2%	5.5%
	3b - Achieve in the 30-34 age group at least 32% of the population with tertiary education (2010)	20.4%	35.0%	35.1%	33.7%	34.2%	32.8%	30.1%	28.2%
4. Research, development	4 - Achieve a level of public expenditure on science, research, development and innovation in the Czech Republic of 1% GDP (2010)	0.65%	**	0.79%	0.77%	0.70%	0.65%	0.92%	0.95%
5. Climate and energy policy	5a - Reduce greenhouse gas emissions - maximum allowable increase in emissions outside the EU ETS by 9% (2005)	0.0%	**	7.8%	-3.5%	-0.7%	0.0%	-2.5%	-8.3%
	5ba - Increase the share of RES in gross final energy consumption to 13% (2005)	7.1%	**	16.2%	15.1%	14.8%	14.9%	15.1%	15.1%
	5bb - Increase the share of renewables in transport to 10% (2005)	1.1%	**	7.8%	6.6%	6.6%	6.5%	6.5%	7.0%
	5c - Improve energy efficiency - national energy efficiency target, i.e., reduce end-use energy consumption to a maximum of 25.3 million tonnes of oil equivalent (Mtoe) by 2020 (2014)	23.6 Mtoe	**	25.2	25.3	25.5	24.8	24.2	23.6

Source: Office of the Government of the Czech Republic.

Note:

* Reference value is the baseline value of the target.

** The most recent data from 2019.

The green colour in the table indicates a target value met, the colour red a target value not met.

Examples of Good Practice in Evaluating the Contribution of ESI Funds to Meeting the National Objectives of the *Europe 2020* Strategy from Abroad

Example 3 - An example of econometric modelling:

Report title: *Oszacowanie i ocena wkładu RPO WP w realizację celów Strategii Europa 2020*³⁸ (Annex of Progress Report for the *Regional Operational Programme of Subcarpathian Voivodeship*, Poland; Author: Regional Operational Programme of Subcarpathian Voivodeship). Target: “Reduce the number of people at risk of poverty, material deprivation or living in very low labour intensity households”.

In Poland, the contribution of interventions to the implementation of the *Europe 2020* Strategy for the period until the end of 2023 was determined using a panel econometric model with quasi-permanent effects. The author used an econometric model that is able to evaluate the contribution of the ESI Funds to achievement of the respective objective (equivalently to how Project 079 was meant to evaluate the contribution of the ESI Funds for all national objectives). The output is quantified impact of the aid provided by one of the Regional Operational Programmes, expressed in percentage points per year and accompanied by a relevant commentary.

Methodology for estimating impacts

The contribution of interventions from the ROP WP to the implementation of the *Europe 2020* Strategy for the period until the end of 2023 was determined using a panel econometric model with quasi-permanent effects. The model correlates the value of the strategy indicator with the amount of expenditure under the ROP for purposes corresponding to this indicator and with control variables describing the structural characteristics of the region (including GDP per capita in relation to national GDP, urbanisation rate or population density).

The formal notation of the model is:

$$y_{ij} = \beta^T \mathbb{X} + (\gamma^T J) * E_{it} + \varepsilon_{it}$$

y : value of the *Europe 2020* Strategy target, \mathbb{X} : vector of control variables, β : vector of parameters associated with the control variables, J : fixed effects for the region (voivodeship) concerned, γ : vector of parameters measuring the impact of expenditures from ROP (ESI Funds), E : expenditure from ROP (ESI funds), i : the region (voivodeship) concerned, t : year, ε : random factor.

Having established the contribution of the intervention from the ESI Funds to meeting the *Europe 2020* Strategy objectives, the contribution of the ROP until 2023 is estimated on the basis of the schedule for the disbursement of finances from the ESI Funds. The forecasts were made using trend models with specifications that rely on historical data. The results were compared with the national *Europe 2020* Strategy objectives.

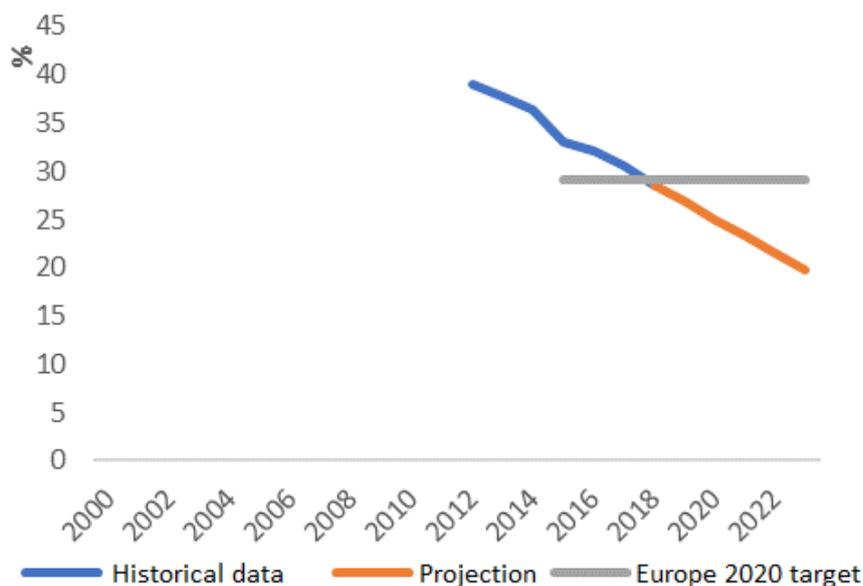
Model evaluation of the impact of ESI Funds on meeting the *Europe 2020* target for “poverty and social exclusion”:

The Regional Operational Programme for the voivodeship finances 5% of all projects co-financed by the Regional Operational Programmes under the set target for the area of

³⁸ *Evaluation and assessment of the contribution of the ROP of Subcarpathian Voivodeship to the achievement of the Europe 2020 Strategy objectives.*

“poverty and social exclusion”. In total, these ROPs represent a 7% contribution to meeting this *Europe 2020* objective financed from the ESI Funds.

Chart 11: Progress of the Subcarpathian Voivodeship towards meeting the target for “poverty and social exclusion” under the *Europe 2020* Strategy - until 2020



Taken from: Oszacowanie i ocena wkładu RPO WP w realizację celów Strategii Europa 2020.

Note: The base point was year 2014 (the starting point of the ROP implementation). Target - share of the voivodeship in fulfilment of the national target as a proportion of the population.

The estimated impact of the ROP WP on this indicator is minimal (approximately -0.04 percentage points per year). Two factors are key to achieving this target. The first relates to overall prosperity of the country and the region. In particular, it is important to account for falling unemployment, rising wages, steadily rising GDP and investment inflows. On the other hand, it is imperative that economic development does not exacerbate social inequalities, which would undercut the social protection system for disadvantaged groups.

Example 4 - An example of a simple comparison of the amounts of funds invested, broken down by source, and correlating these resources with the objectives achieved

Report title: *Relazione sullo stato dei lavori dell'Accordo di Partenariato al 31 dicembre 2018*³⁹ (progress report, Italy; author: Council Presidency). Quantification of the contribution of the ESI Funds to the achievement of individual objectives of the *Europe 2020* Strategy (or the corresponding thematic objectives).

The Italian implementing authorities have assessed the contribution of the ESI Funds to meeting the *Europe 2020* Strategy objectives by simply quantifying the finances used. In absence of other data, such evaluation cannot be deemed complete but it constitutes the necessary ‘first stage’ of the evaluation for a proper assessment of the contribution. By means of these quantifications of the resources used, it would be possible to assess the contribution

³⁹ Report on the status of progress of works on the Partnership Agreement as at 31 December 2018.

of these resources (or their different types) to meeting the individual objectives of the *Europe 2020* Strategy.

Table 3 shows the contribution of the ESI Funds to meeting the *Europe 2020* strategy objectives based on the cost of selected operations as at 31 December 2018 and taking into account the main measures implemented. For the *European Regional Development Fund* (ERDF) and the *European Social Fund* (ESF), a reclassification of the categories of interventions according to the objectives of the Strategy has been made, as implied by the annual implementation reports.

Table 3: Structural Funds (ERDF and ESF) and national co-financing for the period 2014-2020 according to priorities of the *Europe 2020* Strategy and other priorities*

Priority areas of <i>Europe 2020</i> , ERDF and ESF 2014-2020	Subsector		Planned (EUR million)	Selected operations	
				Total costs (EUR million)	Number of projects
Research, innovation and the information society			10,785	9,291	35,936
	Of which:	<i>Research and innovation</i>	7,646	6,982	18,483
		<i>Digital agenda</i>	3,138	2,309	17,453
Energy and climate			7,796	6,047	5,319
	Of which:	<i>Energy</i>	3,667	2,528	3,524
		<i>Climate and biodiversity</i>	1,807	1,743	1,453
		<i>Sustainable mobility</i>	2,323	1,776	342
Work and employment			8,935	5,177	378,676
Education and training			6,307	4,171	79,546
Poverty and inclusion**			5,835	2,943	12,828
Europe 2020 total			39,659	27,628	512,305
Transport infrastructure***			3,147	2,452	157
Institutional capacity****			1,220	843	1,068
Environmental services			2,246	2,459	684
Other*****			7,000	5,783	21,573
Total ESI Funds			53,272	39,165	535,787

Taken from: *Relazione sullo stato dei lavori dell'Accordo di Partenariato al 31 dicembre 2018.*

Note: The data in the table have not been translated by a sworn translator.

* For some categories of interventions, which the Programmes assigned to different thematic objectives, the choice of allocation of funds to the *Europe 2020* Strategy priorities was made on the basis of the prevalent topic.

** The item "*Poverty and inclusion*" also includes the categories of interventions comprised under the heading "*Social, health and education infrastructure and related investments*", which fall under thematic objective 9.

*** "*Transport infrastructure*" does not include categories of interventions that qualify as sustainable transport.

**** In addition to the resources assigned to thematic objective 11, the item "*Institutional capacity*" also deals with EUR 2 million from the intervention category "*Institutional capacity of public administrations and public services*" related to the implementation of the ERDF and with measures in support of initiatives related to the ESF institutional capacity axis and falling under thematic objective 9.

***** The item "*Other*" groups the categories of interventions: *Support to enterprises for generic productive investment in small and medium-sized enterprises and business infrastructure; Tourism and culture assets; Technical assistance and other remaining categories.*

Multicriteria Model

Report title: *Strategic Analysis of the Causality and Benefits of ESIF Interventions for the Real Convergence Process and the Achievement of the Europe 2020 Strategy Objectives*, October 2020; analysis prepared by Mr. Petr Zahradník.

In this case, the multi-criteria analysis of cohesion policy interventions in the area of convergence and the achievement of sustainable development objectives implemented through the *Europe 2020* Strategy is based on sectoral and international comparative analysis and cost-benefit analysis. The modelling output is mainly a table of causal links between interventions from the ESI Funds and the areas of the national objectives. The model as a whole also contains additional parts defining how the impact is quantified of interventions from the ESI Funds on the areas of infrastructure, human capital and research and development using the elasticity model and estimation of the optimal mix of interventions that observes the need to implement the convergence process and meet the national objectives.

The model output is structured according to the areas of the national objectives, as opposed to individual objectives of the *Europe 2020* Strategy, and does not quantify the relationship as a share of investments from the ESI Funds in the total degree of fulfilment of the national objective. This solution is the result of the limited time and financial resources that the SAO has used for the model. Consequently, the devised model is not intended as a definitive solution but as a showcase method to meet the aim to determine the level of contribution of the ESI Funds to meeting the national objectives.

Table 4: Causality of the effects of interventions from ESI Funds on the areas of national objectives (model)

Field of intervention	Nature and strength of causality	National objective
<p>Productive investments Productive investments are a key factor for future prosperity. However, the level of aid from ESI Funds in relation to the total volume of investments is very marginal; aid from ESI Funds should be primarily targeted at cases of market failure. Many projects of this type are capable of self-financing; a specific example is the link to meeting the climate and energy targets - the initial costs of climate and energy transformation are well beyond the financial and economic capacities of the commercial sector, which makes interventions from the ESI Funds perfectly meaningful in this context. For efficient productive investments, the educational structure of the workforce and sufficient R&D expenditure are key.</p>	<p>→ strong: 7 (efficient productive investment directly generates employment)</p>	<p>Employment The national objectives are reliably met; some regional figures are a problem/risk</p>
	<p>→ strong: 6 (requirements of climate and energy targets to remove environmental burdens)</p>	<p>Climate and energy Strong need to realise this link due to the still high energy intensity</p>
	<p>← strong and long-lasting: 7 (improving educational structure will allow to effectively implement activities with higher added value)</p>	<p>Education Concerns primarily the target related to tertiary education</p>
	<p>← strong and long-lasting: 7 (sufficiently robust and targeted R&D expenditure directly translates into productive investment)</p>	<p>Science, research, innovation Higher and more targeted expenditure on science, research and innovation and its practical application and capitalisation will lead to growth in prosperity</p>

<p>Infrastructures providing basic services and pertinent investments</p>	<p>→ strong: 7 (mainly concerns aid in the field of energy, environmental infrastructure, and more broadly all other activities within this field of interventions, provided that climate and energy objectives are pursued in a focused manner)</p> <p>→ significant: 6 (the implementation of this field of interventions has a positive impact on employment, including in problematic regions)</p> <p>← significant: 5 (for a significant part of these activities, it will be desirable to use new scientific and research knowledge and innovative solutions)</p>	<p>Climate and energy Direct interactions between meeting climate and energy targets</p> <p>Employment The energy transition to meet climate targets is largely taking place in regions with significant structural failures; robust aid in this area of interventions can generate a significant positive effect on employment in these regions</p> <p>Science, research, innovation Scientific, research and innovation knowledge will be a required input to deliver the expected benefits in this area of interventions</p>
<p>Social, health and education infrastructures and related investments</p>	<p>→ partly significant in the field of education infrastructure: 4 (can contribute to optimising the capacity and facilities of universities with regard to their teaching and research needs)</p>	<p>Education Concerns the target of increasing the share of tertiary education</p>
<p>Development of inner potential</p>	<p>→ strong and immediate: 7 (perfect alignment between interventions from the ESI Funds and the national objectives in the field of support to research, development and innovation)</p> <p>→ strong: 6 (contributes to meeting climate and energy targets in the field of environmental investments)</p>	<p>Science, research, innovation An example of direct targeting of investments from the ESI Funds to meet a national objective</p> <p>Climate and energy An example of a significant contribution to the climate and energy targets</p>
<p>Promoting sustainable and quality employment and supporting labour mobility</p>	<p>→ strong: 7 (focus on problematic and risky places in the labour market with a regional aspect)</p>	<p>Employment An example of direct targeting of investments from the ESI Funds to meet national objectives</p>

<p>Promoting social inclusion, combating poverty and any discrimination</p>	<p>→ very strong: 9 (direct focus on tackling poverty and discrimination with a regional dimension)</p>	<p>Poverty An example of direct targeting of investments from the ESI Funds to meet national objectives</p>
<p>Investing in education, training, vocational training for skills and lifelong learning</p>	<p>→ very strong: 8 (focus on qualitative transformation of the tuition process)</p> <p>→ partial: 3 (for universities and ensuring synergies between teaching and research)</p> <p>→ significant: 5 (mediated effect)</p>	<p>Education Focusing on both the education targets of the <i>Europe 2020</i> Strategy</p> <p>Science, research, innovation Aimed at strengthening coordination between universities and in particular business practice</p> <p>Employment Reinforcing the principle of <i>matching skills and jobs</i></p>
<p>Enhancing institutional capacity of public authorities and stakeholders and effective public administration</p>	<p>→ partial: 2</p>	<p>All objectives An instance of active contribution of public sector services to the achievement of the national objectives through devising and implementing relevant policies</p>

Source: *Strategic Analysis of the Causality and Benefits of ESIF Interventions for the Real Convergence Process and the Achievement of the Europe 2020 Strategy Objectives*, October 2020, Mr. Petr Zahradnik.