



FINAL REPORT ON THE SAPARD PROGRAMME **IN THE CZECH REPUBLIC**

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Preface by Director General of the SAPARD Agency

At present one can safely state that the SAPARD Programme has fulfilled its historic mission. It helped in a major way to bridge the period of preparations of the Czech Republic as a candidate country for the drawing of finance from the European Union funds and facilitated its accession and integration into the structures of the European Communities. The Czech Republic embraced this pre-accession instrument to a maximum possible extent and even secured total drawing of finance above the framework established by the Multiannual Financing Agreement.

This much appreciated achievement was a result of a timely and preventive increase of the total volume of financial commitments resulting from contracts on the granting of aid, which exceeded by about 15% the allocated finance. These “extra commitments“ were motivated on the one hand by general experience from the administration of programmes based on approving of projects, where a natural decrease in the number of suitable targets for financing needs to be anticipated, and on the other hand by a European Commission’s recommendation. This experience was used also within the Operational Programme “Rural Development and Multifunctional Agriculture”.

For the practical implementation of projects involving the extra commitments, the Czech Republic used, in conformity with Commission Regulation (EC) No 447/2004, the financial sources of the rural development programme (Horizontal Rural Development Plan – Guarantee Section of the European Agricultural Guidance and Guarantee Fund) and the SAPARD Agency engaged, as necessary, technical departments of the Paying Agency established within the State Agricultural Intervention Fund.

Experience from the SAPARD Programme implementation is used, especially in the control area, in the Operational Programme “Rural Development and Multifunctional Agriculture”. I wish that the experience gained during several years of the SAPARD Programme administration is put to full use also in the subsequent programmes that are being prepared and that the drawing of finance from the European Agricultural Fund for Rural Development becomes a routine method in the Czech Republic of how to implement necessary projects enhancing farming environment.

Petr B u c h a l

1 Summary

The SAPARD Programme was launched in the Czech Republic in April 2002 with the issuance of a call for applications under seven of the total of nine measures. During the period of the SAPARD Programme implementation, more than 3000 projects were submitted within the seven calls for applications and 1692 contracts were concluded for a total of CZK 4.5 billion with the conclusion of contracts coming to an end on 31 December 2003.

The reimbursement of projects from the SAPARD Programme's finance came to an end on 30 November 2005, when the entire allocation for the years of 2000-2003 was exhausted. In total, 1495 projects were reimbursed with CZK 3.9 billion. The remaining commitments will be reimbursed before the end of 2006 from the Guarantee section of the European Agricultural Guidance and Guarantee Fund, more specifically within the Horizontal Rural Development Plan.

The pre-accession SAPARD Programme was followed in 2004 particularly by the Operational Programme "Rural Development and Multifunctional Agriculture" and partly also by the Joint Regional Operational Programme. It can be stated that the experience gained within the SAPARD Programme contributed significantly to a rapid drawing of finance from EU structural funds.

For the administration of the SAPARD Programme in the Czech Republic, an accredited SAPARD Agency was established, first as a part of the Ministry of Agriculture and starting from 2004 as a part of the State Agricultural Intervention Fund. In order to supervise over the SAPARD Programme implementation, the Minister of Agriculture appointed the National SAPARD Monitoring Committee and its subordinate Regional Monitoring Sub-Committees. The Ministry of Finance as a competent authority appointed the company BDO CA s.r.o. as a certifying body.

2 Introduction

The Final Report on the SAPARD Programme in the Czech Republic was drawn up by the Managing Authority (Multiannual Financing Agreement [MAFA], Section B, Article 8(1)) in co-operation with the SAPARD Agency. This Final Report was discussed and approved by the Monitoring Committee for the Operational Programme “Rural Development and Multifunctional Agriculture”, which took over the competences of the National SAPARD Monitoring Committee (NMC), at its sixth meeting held on 12 and 13 June 2006.

When drawing up the Final Report on the SAPARD Programme in the Czech Republic, the Managing Authority took into consideration the requirements for its factual content as laid down in the Multiannual Financing Agreement between the Czech Republic and the Commission of the European Communities on behalf of the European Community, Section B, Article 8(5). It also followed the recommendations of the European Commission.

The objective of this report is to summarise basic information on the implementation and progress of the SAPARD Programme in the Czech Republic from 2001 to 2005. This Final Report together with its annexes summarises and describes the situation by 30 November 2005, when the payment of finance from the SAPARD Programme came to an end.

2.1 Objectives of the SAPARD Programme in the Czech Republic and its geographical scope

As laid down in Council Regulation (EC) No 1268/1999 on Community support for pre-accession measures for agriculture and rural development in the applicant countries of central and eastern Europe in the pre-accession period, Community support within the SAPARD Programme in the Czech Republic was related in particular to:

- a) contributing to the implementation of *acquis communautaire* concerning the common agricultural policy (CAP) and related policies;
- b) solving priority and specific problems for the sustainable adaptation of the agricultural sector and rural areas in the applicant countries.

The most important tasks in the field of agriculture were to strengthen the competitiveness of farming and processing industries, to achieve high quality of agricultural and food products with higher added value, to complete the restructuring of agricultural and processing undertakings, to strengthen the position of primary agricultural production on the market and to introduce *acquis communautaire* in the field.

There was a specific task to develop conditions for a clear identification of land ownership and development of the market in land and to focus on the support of other functions of agriculture such as landscape maintenance.

The main task in the field of rural development was to create a suitable environment for the stability of population, the development of small and medium sized enterprises and better use of local resources with the aim to achieve stable income in rural areas, to reduce unemployment and to use better the potential for the achievement of better living standard in rural areas.

Measures focusing on agriculture were applied throughout the country. Measures focused on the protection of the environment and support for sustainable farming were applied primarily in the so-called sensitive areas and further in the protected landscape areas and water protection zones, i.e. approximately on one third of the Czech Republic’s territory.

Measures focusing on re-parcelling and rural development were applied primarily within associations of neighbouring villages, the so-called rural micro-regions and in municipalities with wider competences.

3 Legislative framework of the SAPARD Programme in the Czech Republic

The Multiannual Financing Agreement represents a technical, legal and administrative framework for the implementation of the SAPARD Programme - Agriculture and Rural Development Plan of the Czech Republic for the period of 2000-2006 as approved by the European Commission on 26 October 2000. The Multiannual Financing Agreement between the Czech Republic and the European Community was signed on 5 February 2001 together with the Annual Financing Agreement (AFA) for 2000 (Community financial commitment of EUR 22 440 617) and published in the Collection of International Agreements No. 4/2002 Coll. Int. Ag. The subsequent annual financing agreements were adopted by the Senate as follows:

- a) Annual Financing Agreement for 2001 – 17 April 2003 (Community financial commitment of EUR 22 896 727)
- b) Annual Financing Agreement for 2002 – 14 April 2004 (Community financial commitment of EUR 23 526 795)
- c) Annual Financing Agreement for 2003 – 5 November 2003 (Community financial commitment of EUR 23 760 154)

Commission Regulation (EC) No 1419/2004 of 4 August 2004 laid down rules for the effect of the MAFA and individual AFAs after the Czech Republic's accession to the EU. That regulation fixed a financial amount for the SAPARD Programme, which corresponded to the amount proposed originally in the additional AFA 2003 (Community financial commitment of EUR 23 923 565). In view of the fact that this AFA had not been concluded before the Czech Republic's accession to the EU, it was replaced by Commission Regulation No 1419/2004.

Council Regulation (EC) No 1268/1999 of 21 June 1999 on Community support for pre-accession measures for agriculture and rural development in the applicant countries of central and eastern Europe in the pre-accession period, including all implementing regulations and amendments, is the basic regulation for the implementation of the SAPARD Programme. As regards the termination of the SAPARD Programme, the most important amendment is Commission Regulation (EC) No 447/2004 of 10 March 2004 laying down rules to facilitate the transition from support under Council Regulation (EC) No 1268/1999 to that provided for by Council Regulations (EC) Nos 1257/1999 and 1260/1999.

4 Changes in general conditions of relevance for the implementation of the SAPARD Programme

General context of the agricultural sector

The development of the agricultural sector in recent years has been influenced by the policy of the Ministry of Agriculture which has been applied since 1998 in the framework of the "Concept of agricultural policy for the period before accession to the EU" (the substance of which was adopted by the Government of the Czech Republic in early 2000).

The fundamental objective of the concept was to stop the shrinking of the size of Czech agriculture, which has essentially been achieved. The size of Czech agricultural production continued to decline somewhat in the period 1998-2002, but at a substantially lower rate than in previous years (in average by less than 1% annually compared with 2.5% annually in the entire period from 1989). There has been a negligible decline in the area of agricultural land in the Czech Republic with just a slight decline of the share of arable land and an increase in the share of permanent grasslands. The number of employees in agricultural enterprises continued to decline substantially in average by more than 5% per year. At the same time, the share of agriculture in overall employment continued to decline. The reduction in the number of employees was the most noticeable in the farms of legal persons. Of 531 000 employees in farms in 1989 only about 163 000 remained in 2003. Compared with the EU, the structure of farms remains very specific and is characterised by an exceptionally high proportion of large farms of legal persons farming most of the land owned by individual owners and the state.

Labour productivity in agriculture has been rising because compared with the development of production the number of employees has been declining at a faster rate. However, this has not been reflected in the development of agricultural wages which continue to lag behind the average for the national economy (by more than 27% in 2004). The level of overall support for agriculture expressed by production support estimate (an OECD indicator) increased somewhat in the period concerned (in average by 23% for the period 2000-2002), but remained substantially lower than the average for EU-15 (35%). After the Czech Republic's accession to the EU, real agricultural income per worker increased substantially (according to a Eurostat press release of 17 December 2004 by 107.8 %).

Changes of relevance for the implementation of the Programme

After accession to the EU, the SAPARD Programme was replaced by the Operational Programme "Rural Development and Multifunctional Agriculture" (Agriculture OP) through which finance can be drawn from the EU structural funds. Measures 2.1 "Renovation and development of villages and rural infrastructure" and 2.2 "Development and diversification of economic activities providing for multiple activities and alternative income" were in part incorporated into the Joint Regional Operational Programme (JROP), which falls under the competence of the Ministry for Regional Development (MRD) and measures of this type continue in the framework of the JROP.

Within the Agriculture OP there are six measures which are similar to SAPARD Programme measures. Supports representing a direct continuation of the SAPARD Programme account for 57.11% of the allocation approved for the Agriculture OP (EUR 143.1 million of the total of EUR 250.6 million). On the measure level, these measures represent 93% of the public finance allocation for the Agriculture OP for the period 2004-2006.

From 1 January 2004, the SAPARD Agency was integrated into the organisational structure of the State Agricultural Intervention Fund (SAIF) established pursuant to Act No 256/2000 Coll. on the State Agricultural Intervention Fund and on the amendment of certain laws, as amended. SAIF is responsible for managing the HRDP as well. All functions of the Managing Authority Department as well as all other departments of the accredited SAPARD Agency have been preserved in full.

There have been no other changes in the general conditions of relevance to the implementation of the SAPARD Programme. Therefore, all the basic information set out in the Agriculture and Rural Development Plan of the Czech Republic for the period of 2000-2006 continues to apply to the implementation of the SAPARD Programme in the Czech Republic.

Table 1: Basic macroeconomic indicators for the Czech Republic in 2001-2005

Indicator/year	2001	2002	2003	2004	2005
GDP – current prices (CZK million)	2 315 255	2 414 669	2 550 754	2 751 075	2 931 071
GDP (Agriculture, hunting and forestry) – current prices (CZK million)	83 614	73 764	72 720	81 432	77 346
GDP – constant 1995 prices (CZK million)	1 617 894	1 641 996	1 703 024	1 771 673	1 879 790
Unemployment rate (%)	8.1	7.3	7.8	8.3	7.8
Total imports (CZK million, current prices)	1 386 319	1 326 339	1 647 116	1 971 980	1 834 864
Total exports (CZK million, current prices)	1 269 634	1 251 884	1 590 961	1 962 125	1 875 220
Average monthly gross wage, whole CR (CZK)	14 640	15 707	16 917	18 035	19 030
Inflation rate* (%)	4.7	1.8	0.1	2.8	2.2

*rate of inflation expressed as an increase in the average annual consumer price index

Source: Czech Statistical Office

5 Administration and management of the SAPARD Programme

5.1 National SAPARD Monitoring Committee

Based on the Multiannual Financing Agreement, section B, Article 7, the Czech Republic is obliged to set up a Monitoring Committee to supervise the Programme. In conformity with that Article, the Monitoring Committee drew up its own rules of procedure, which entered into force following the signature by the Minister of Agriculture on 2 August 2001.

One National SAPARD Monitoring Committee (NMC) was set up together with eight Regional Monitoring Sub-committees (RMS) at the level of NUTS 2 regions. The National SAPARD Monitoring Committee consists of a total of 25 regular members and the same number of their substitutes which are appointed by the Minister of Agriculture. In addition to regular members, the NMC meetings are regularly attended by representatives of the European Commission as observers.

The NMC for SAPARD monitors regularly the implementation of the SAPARD Programme in the Czech Republic, approves modifications of the SAPARD Plan and annual reports. The National Monitoring Committee also discussed and approved the conclusions of the mid-term evaluation of the SAPARD Programme. One of the most important decisions of the National Monitoring Committee was to approve modifications in the SAPARD Programme's financial tables and amendments of the SAPARD Plan in relation to the implementation of flood related measures in 2002. A complete overview of adopted amendments of the SAPARD Plan is presented in Chapter 5.2.

The task of the Regional Monitoring Sub-committees is to monitor the fulfilment of the SAPARD Programme in their respective regions. The RMS further serve as advisory bodies for the National SAPARD Monitoring Committee and the Chairmen of the RMS are regularly invited to the NMC meetings, where they can present to the members of the NMC their comments and proposals to improve the effectiveness of the SAPARD Programme. Members of the individual Sub-committees and their substitutes were appointed on the basis of Article 7 of the NMC's statute and rules of procedure by the Chairman of the National SAPARD Monitoring Committee on 19 October 2001.

During the SAPARD Programme implementation in the Czech Republic, the National SAPARD Monitoring Committee met seven times and the Regional Monitoring Sub-committees met five times.

In April 2005, the National SAPARD Monitoring Committee took a decision by written procedure to transfer its power related to the management and monitoring of the SAPARD Programme to the Monitoring Committee for the Operational Programme “Rural Development and Multifunctional Agriculture”. The Monitoring Committee for the Operational Programme met two times in 2005.

5.2 Amendments of the Agriculture and Rural Development Programme

The English version of the Agriculture and Rural Development Plan of the Czech Republic for the period 2000-2006 was presented to the STAR Committee on 13 September 2000 and subsequently approved by the European Commission on 26 October 2000 (Commission Decision No C(2000)3105 final). All amendments of the SAPARD Plan were presented to the STAR Committee following a prior approval by the National SAPARD Monitoring Committee. The European Commission approved all the amendments subsequent to a positive opinion given by the STAR Committee.

On 31 January 2002, the STAR Committee discussed amendments of the SAPARD Plan, which resulted from the process of the SAPARD Agency’s accreditation and concerned in particular scoring criteria, eligibility criteria and the definition of beneficiary. These amendments were adopted by the European Commission on 26 February 2002 (Ref. No. PH/2002/612).

Programme amendments concerning measure 3.2 “Technical assistance” were sent to the European Commission on 4 February 2002 and the proposed amendments were presented to the STAR Committee on 20 March 2002.

On 24 July 2002, the STAR Committee discussed under Ref. No. PH/2002/2117 amendments of the SAPARD Plan dealing with modifications of the text of measure 2.3 “Agricultural production methods designed to protect the environment and maintain the countryside”.

In autumn 2002, the National SAPARD Monitoring Committee, in response to the floods of August 2002, approved amendments of the SAPARD Plan which concerned a definition of preferential conditions for applicants affected by the extraordinary natural disaster. The preferential treatment involved a simplified administration procedure, abolition of the verification of the applicant’s financial health, increased level of financing including increased co-financing from the European Union and a preferential score for the affected applicants. In addition, an amended text regarding measure 3.1 “Improvement of vocational training” was approved together with selection criteria for measure 2.1 “Renovation and development of villages and rural infrastructure” and measure 2.2 “Development and diversification of economic activities providing for multiple activities and alternative income”. Sub-measure 1.1.2. was expanded so as to cover long-term storage of hops. Training topics for measure 3.1 “Improvement of vocational training” and financial tables were approved by the NMC members by a written procedure. All these amendments of the Plan were presented to the STAR Committee in Brussels on 18 November 2002 and adopted by the European Commission decision PH/2002/3417 of 23 December 2002.

Amendments of financial tables of the SAPARD Plan:

In view of the fact that the SAPARD Programme’s financial tables are a part of the SAPARD Plan, they are subject to the same approval procedure as other amendments of that document (see above). However, for the sake of clarity the information on amendments of financial tables has been set out in a separate text.

On 22 December 2002, the European Commission approved under Ref. No. PH/2002/3417 amendments of the financial plan made in connection with the adoption of AFA 2002 and other

transfers were made in response to actual drawing of finance under individual measures (finance not drawn under measures 3.1, 3.2 and 2.3 due to later accreditation of these measures was transferred to measures 1.1 and 1.2 and the finance for the assistance from the initiative of the European Commission was transferred to measures 1.1 and 1.2 and partly also to measure 2.1).

On 14 July 2005, the European Commission approved amendments of financial tables (decision K(2005)2785) submitted on the basis of Commission Regulation (EC) No 1419/2004 which established amounts for the SAPARD Programme for 2003. Compared with the decision of 2000, the funding was increased with the amount in question allocated for measure 1.2. It was further decided to transfer 10 % of the total allocation for measure 1.3 (EUR 1 432 027.5) to measure 1.2.

On 23 December 2005, the European Commission approved by its decision K(2005)5955 the last amendment of the financial tables which was proposed in connection with the planned termination of the reimbursement of projects from the SAPARD Programme's finance in 2005 and on the basis of Commission Regulation (EC) No 447/2004. Allocations for measures 1.1 and 2.1 were increased with a respective reduction of allocations for other measures.

The financial tables are attached as Annex 1 to this report.

5.3 Major changes in the management and monitoring of the SAPARD Programme

In order to administer the SAPARD Programme in the Czech Republic, a SAPARD Agency was established in 2000 and accredited as a part of the Ministry of Agriculture. The SAPARD Agency underwent great changes in 2001 of which the greatest was the attainment of a greater independence and its direct reporting to the Minister of Agriculture.

The Managing Authority was hived off from the SAPARD Agency within organisational changes in 2003 and in 2004. In August 2004 the Managing Authority for the SAPARD Programme was changed into the Managing Authority for the Operational Programme "Rural Development and Multifunctional Agriculture".

The National SAPARD Monitoring Committee was appointed by the Minister of Agriculture in 2001. The Monitoring Committee drew up its own statute and rules of procedure, which entered into force following the signature by the Minister of Agriculture on 2 August 2001. In April 2005, the National SAPARD Monitoring Committee took a decision by written procedure to transfer its power related to the management and monitoring of the SAPARD Programme to the Monitoring Committee for the Operational Programme "Rural Development and Multifunctional Agriculture", which will be performing this duty until the end of the SAPARD Programme implementation in the Czech Republic (see Chapter 5.1).

The SAPARD Agency was incorporated into the organisational structure of the State Agricultural Intervention Fund from 1 January 2004 which also manages the HRDP.

The process of SAPARD Agency's accreditation was launched in 2001 and completed in 2003.

Decisions on conferral of management of aid:

- for measures 1.1., 1.2., 1.3., 1.4., 2.1., 2.2., 3.2. – Commission Decision 2002/298/EC of 15 April 2002
- for measure 2.3. - Commission Decision 2003/123/EC of 19 February 2003
- for measure 3.1. - Commission Decision 2003/581/EC of 1 August 2003

In order to ensure proper monitoring of the SAPARD Programme, a list of monitoring indicators was drawn up, which was approved by the National SAPARD Monitoring Committee and the

European Commission. The reporting on monitoring indicators is a part of every annual implementation report.

The Competent Authority (this function is performed by the National Fund within the Ministry of Finance) appointed as the certifying body the BDO CA s.r.o. company, which is a legal successor of the CAAC s.r.o. company, which had performed this function before.

There were no major changes in the system of management and monitoring in the course of the SAPARD Programme's implementation.

5.4 Use of technical assistance

Measure 3.2 "Technical assistance" falls under the responsibility of the Managing Authority, which submits projects under this measure and at the same time is the beneficiary of the assistance. Individual expenditure is approved by the Chairman of the National SAPARD Monitoring Committee.

During the SAPARD Programme implementation in the Czech Republic, a total of 25 projects amounting to CZK 12 858 167 were registered under measure 3.2 Technical assistance. By 30 November 2005, the SAPARD Agency disbursed CZK 10 572 741 for 11 projects.

In addition two projects amounting to a total of CZK 204 500 were submitted before 30 April 2006. The last four projects involving CZK 660 000 will be implemented in the course of 2006 and will be paid from the HRDP. These projects concern the printing of the SAPARD Programme's final report and the performance of the final monitoring for measure 2.3 "Agricultural production methods designed to protect the environment and maintain the countryside". The remaining registered projects were not implemented.

Most projects implemented under measure 3.2 "Technical assistance" focused on ensuring sufficient publicity for the SAPARD Programme in the Czech Republic. From the viewpoint of the SAPARD Programme management, the mid-term evaluation of the SAPARD Programme was the most important project. It was carried out in 2003 and provided conclusions and recommendations as to how to improve the administration and management of the SAPARD Programme and also for the preparation of the administration of the Operational Programme "Rural Development and Multifunctional Agriculture". Detailed information on the mid-term evaluation of the SAPARD Programme is included in the 2003 and 2004 Annual Reports on the SAPARD Programme. Other implemented projects dealt with the establishment of a baseline for the monitoring of measure 2.3 Agricultural production methods designed to protect the environment and maintain the countryside. These will be followed by projects assessing final impact of this measure, which will be taking place in 2006.

5.5 Involvement of local authorities (co-operation with regional organisations)

Good co-operation with local organisations was very important for the successful implementation of the entire SAPARD Programme in the Czech Republic. This co-operation began as early as in the framework of preparations and discussions on the contents of the SAPARD Plan in the years of 1999 and 2000. Within the National Monitoring Committee and its Regional Monitoring Sub-committees, members of non-government and trade organisations at the central as well as regional level were being continuously informed about the progress in SAPARD Programme implementation and were actively involved in its management, for instance through the approval of financial tables, amendments of the SAPARD Plan or the selection criteria.

An international conference entitled "Development and support of local initiatives in candidate countries", which was held in Pardubice in May 2003 was one of the major events implemented in co-operation with regional organisations and the European Commission. More detailed

information on the objectives and conclusions of this conference is given in the 2003 Annual Report.

Furthermore, the officers of the SAPARD Agency at the central as well as regional level participated in seminars organised by local non-government and trade organisations (e.g. Agrarian Chamber, individual breeders' associations, etc.). The participants of these seminars and trainings were informed about the SAPARD Programme in general and in detail about those parts of the SAPARD Programme that are related to their particular area of activity and about the opportunities offered by the SAPARD Programme.

5.6 Measures to ensure dissemination of information and publicity

In order to ensure sufficient awareness of the SAPARD Programme in the Czech Republic, the SAPARD Agency prepared and distributed information materials and brochures with basic information about the SAPARD Programme as early as in 2001. However, the Rules for applicants were the most important document related to the implementation of the SAPARD Programme. Their first edition was distributed in 2001 and subsequent editions in the following years. The SAPARD Agency further prepared promotion leaflets and folders, with general information at the beginning of the SAPARD Programme implementation and in 2004 a brochure was published presenting successfully implemented projects. Successful projects were promoted also in technical periodicals (close collaboration with the Zemědělec weekly). Notice boards were also produced, which are placed on completed projects supported from the SAPARD Programme.

The SAPARD Programme was presented regularly on agricultural fairs such as Země živitelka or Praga Agro. Officers from the headquarters and regional offices of the SAPARD Agency took part in a number of seminars organised at a regional level where they informed general public about the SAPARD Programme in the Czech Republic.

All basic information on the SAPARD Programme, in Czech as well as in English, is available at the website www.sapard.cz. This website continues to be administered by the Ministry of Agriculture, the Department of the Managing Authority for the OP. Following the SAPARD Agency's transfer to the State Agricultural Intervention Fund on 1 January 2004, new pages were created within the SAIF's website www.szif.cz, which include also a gallery of successful projects implemented in the framework of the SAPARD Programme.

Detailed information on promotion activities in individual years is presented in respective annual reports on SAPARD Programme implementation.

5.7 Data to demonstrate that Community funds have not replaced funding available in the Czech Republic

Starting from 2001, agricultural policy of the MoA was being harmonised with the principles of the EU common agricultural policy. The Czech Republic's accession to the EU on 1 May 2004 brought into force a new system and new structure of agricultural and rural state aids. The state aids may not disturb the principles of common market and are subject to notification to the European Commission.

On accession to the EU, programmes to support non-production functions of agriculture and less-favoured areas granted pursuant to Government Decree No 505/20000, as amended by Government Decree No 500/2001, were replaced by payments under the Horizontal Rural Development Plan of the Czech Republic for the period 2004-2006. As a result, the national budgetary expenditure for agriculture declined in 2004 and 2005 as shown by Table 2.

Table 2: National funding for the agriculture sector (in 000' CZK)

	2000	2001	2002	2003	2004	2005
National funding	11 625 672	11 453 919	8 018 075	8 095 861	3 755 000	3 185 000
SAPARD *				500 000	767 000	153 000
Total volume of funding	11 625 672	11 453 919	8 018 075	8 595 861	4 522 000	3 338 000

*this is funding for co-financing from Czech national sources.

Source: Report on the state of agriculture in 2005

6 Overview of completed checks of beneficiaries and results of completed checks

The SAPARD Agency carries out the following checks of projects under the SAPARD Programme:

- before project implementation (still before the selection of projects and signing of contracts), the so-called ex-ante checks,
- during project implementation (before the reimbursement of a project/project stage), the so-called interim checks,
- after project implementation (after the reimbursement of the expenditure incurred, within 3 years of the last payment), the so-called ex-post checks.

Every approved project under measures 1.1, 1.2, 1.3 and 2.2 (i.e. a revenue-generating project) and measure 2.1 is checked at least 4 times (one ex-ante check, one interim check and two ex-post checks). Other projects (i.e. projects not generating revenue), for which ex-post checks are not performed are checked at least twice.

The checks are carried out by officers of the Regional Offices of the SAIF and if necessary officers of the MRD or trained officers of the district offices of the MoA. The RO SAIF inspectors receive methodological guidance from the SAIF headquarters. All inspection procedures are governed by internal regulations and described in detail therein.

Table 3: Number of checks from the beginning of the SAPARD Programme to 30 November 2005, broken down by type of check and the RO SAIF

RO SAIF	Ex-ante	Interim	Ex-post	Total	Share in total checks
Praha + SČ	459	690	120	1269	19 %
České Budějovice	686	505	180	1371	21 %
Ústí nad Labem	169	144	63	376	6 %
Hradec Králové	419	397	112	928	14 %
Brno	620	611	168	1399	21 %
Olomouc	372	356	102	830	12 %
Opava	217	167	58	442	7 %
Total	2942	2870	803	6615	100 %

Shortcomings were found only within 7.5 % of effected checks. Applicant's failure to notify changes in the project or missing documents were among the most frequent findings. Most control findings could be solved with the applicants.

Table 4: Overview of checks effected in the period 2002-2005, broken down by measure and type of check (30 November 2005)

Measure	Ex-ante	Interim	Ex-post	Total	Share in total checks
1.1	555	530	275	1360	21 %
1.2	480	539	193	1212	18 %
1.3	262	322	93	677	10 %
1.4	586	415	2	1003	15 %
2.1	711	328	147	1186	18 %
2.2	284	286	93	663	10 %
2.3	29	115	0	144	2 %
3.1	35	335	0	370	6 %
Total	2942	2870	803	6615	100 %

6.1 Major changes in control system introduced in the course of SAPARD Programme implementation

Following a European Commission audit on 19-23 January 2004, the audit report made a recommendation to adapt procedures to general rules, i.e. that projects should not undergo substantial changes for a period of five years. Because all conditions resulted from the Agriculture and Rural Development Plan (rules, contracts) and stipulate a three-year period which could not be changed, a response to this recommendation stated that the three-year period is laid down in the contract with the beneficiary, which was accredited as a part of the operational manual for the SAPARD Programme. At a bilateral meeting in Brussels on 14 October 2004 where individual Commission recommendations were discussed together with the Czech Republic's responses, a proposal was raised that the Czech Republic would carry out planned ex-post checks twice for each project under measures 1.1, 1.2, 1.3, 2.1 and 2.2 and in the manner that the second ex-post check would take place before the end of the three-year period (according to the original methodology, one planned ex-post check was supposed to take place for each project under the measures concerned). No other substantial changes in the control system were made compared with the accredited procedures.

6.2 Irregularities

Pursuant to the Multiannual Financing Agreement, irregularity is deemed to be any infringement of that Agreement resulting from an act or omission, which has, or would have the effect of prejudicing the general budget of the European Community by an unjustified item of expenditure.

Within the above definition it is necessary to distinguish practice which is qualified as fraudulent and represents any deliberate action or omission related to:

- the use or submission of false, inaccurate or incomplete statements or documents which is designed to or could cause abuse or undue holding up of finance from the general budget of the European Communities,
- a failure to notify information in contradiction of certain obligation, with the same effect as in the previous paragraph
- undue use of such finance for purposes other than for which it was originally allocated.

The SAPARD Agency has not yet encountered fraudulent behaviour, but it does register several cases of irregularities, which are notified to the European Commission in the framework of obligatory reporting.

During two months following the end of each quarter, the Czech Republic reports to the European Commission any irregularity, which has been the subject of administrative or judicial investigation with reference to Sub-item No. 7.3 and No. 7.5, Section F of the Annex to the Multi-Annual Financing Agreement (MAFA).

The National Fund Department (Ministry of Finance of the Czech Republic) is responsible for a monitoring of irregularities in the SAPARD Programme or more precisely for reporting of information about the irregularities in the reference period to the Supreme Public Prosecutor's Office of the Czech Republic.

The Director General of the SAPARD Agency informs the National Fund Department, within one month of the end of each quarter, about any irregularity that has been subject to administrative or judicial proceeding for the purpose of drawing up quarter report for the Commission.

The National Fund Department checks any details about the particular irregularity in cooperation with a tax authority and with the SAPARD Agency. Afterwards the quarter report is prepared by the National Fund Department and sent to the Supreme Public Prosecutor's Office, in copies it is sent to the CHU and Ministry of Agriculture.

The Supreme Public Prosecutor's Office is responsible for the correspondence relating to the quarter report of irregularities and ensures that this report is sent, within two month of the end of each quarter to the European Anti-Fraud Office (OLAF). The National Fund Department subsequently sends a copy of this quarterly report on irregularities to the Directorate General Agriculture (DG AGRI) by fax for information.

The quarter reports on irregularities

2002

No irregularities were detected/reported.

2003

No irregularities were detected/reported.

2004

The following irregularity report was sent to OLAF at 2004:

Number of the irregularity report: CZ/04/001/S/0, project number: 1/2002-04UL; 69/2002-04UL

By 31 December 2005, an amount of CZK 3 274 906.00 (projects 1/2002-04UL a 69/2002-04UL) remained to be requested back from a beneficiary. The SAPARD Agency (SA) took the necessary steps to recover the debt which will be done by the competent revenue authority (of the region concerned). The request for repayment is issued based on the fact that the beneficiary has broken the contract (the beneficiary attempted to sale of property provided from SAPARD aid without SAPARD Agency approval) concluded between the SAPARD Agency and the beneficiary.

2005

The following irregularity reports were sent to OLAF at 2005:

1. Number of the irregularity report: CZ/04/003/S/0, project number: 286/2002/03-CB

Description of the case

In view of time considerations, a debt to be recovered was deducted from subsequent payments so as to avoid a situation when in a short period of time the beneficiary would be sending back his debt while the SAPARD Agency would be paying full amount of aid awarded under project 119/2003-03CB.

2. Number of the irregularity report: CZ/04/002/S/0, project number: 12/2003-07OL

Description of the case

Beneficiary was called to return payment amounting CZK 216 336 on 11 September 2004 and whole amount was returned on 27 September 2004. Following new methodology concerning preparation and submission quarterly irregularities reports and with regard to detected amount, this irregularity was included to irregularities report covering 3rd quarter 2005, despite of the fact it has been returned.

3. Number of the irregularity report: CZ/05/007/S/0, project number: 135/2002-03CB

Description of the case

Has not taken over the „Call to return payment“ amounting to CZK 376 085 and the letter was returned as undeliverable. Based on a decision of the Director General, the recovery was relegated to an appropriate revenue authority on 27 January 2006.

4. Number of the irregularity report: CZ/05/006/S/0, project number: 214/2003-06BR

5. Number of the irregularity report: CZ/05/005/S/0, project number: 143/2002-06BR

Description of the case (project number: 143/2002-06BR, 214/2003-06BR)

The beneficiary became bankrupt and on 6 January 2006 the recovery of the two debts to the SAPARD Agency amounting to CZK 2 311 364 and CZK 2 490 000 was relegated to an appropriate revenue authority.

6. Number of the irregularity report: CZ/05/004/S/0, project number: 104/2002-04UL

Description of the case

The beneficiary returned the outstanding amount of CZK 261 975 without any delay by 16 December 2005.

7. Number of the irregularity report: CZ/05/003/S/0, project number: 95/2002-05HK

Description of the case

Has not returned the due amount of CZK 2 453 509 within the period of time set in the „Call to return payment“ and the recovery was relegated to an appropriate revenue authority on 27 January 2006.

In addition, the irregularity report number: CZ/04/001/S/0 was updated quarterly as well.

6.3 Steps taken on the basis of recommendations made by the European Commission audits

An audit mission of the European Commission took place in the SAIF/SA headquarters, in selected regions and with selected beneficiaries from 19 to 23 January 2004. The audit report recommended adapting control procedures of the SAPARD Agency. That recommendation was accepted by the SAPARD Agency (see Chapter 6.1 above). On 10 February 2005, the Permanent Representation received a letter from the Director General for Agriculture and Rural Development (Ref. No. D(2005) 2856) informing the Czech Republic that the Commission will not propose any financial corrections on the basis of the effected enquiry. The enquiry can be considered closed provided that the Commission's recommendations from the previous correspondence would be fully implemented.

Another audit by the European Commission took place from 19 to 23 September 2005. Detailed overview of recommendations and responses of the SAPARD Agency sent to the Commission officially on 10 March 2006 is shown in Annex 4.

By a European Commission letter of 23 December 2004, Ref. No. AGRI/J.1/KK/bw-D(2004)40158, the Czech Republic was informed of possible financial corrections that could be imposed by the European Commission in connection with the findings presented in the “SAPARD Programme Certification Report for 2003” dealing with the exceeding of a three-month period for payments to beneficiaries by the Czech Republic. The European Commission requested additional information on individual payments. A bilateral meeting between representatives of the European Commission (DG AGRI) and the Czech Republic (National Fund and SAPARD Agency) took place on 27 October 2005 in Brussels. Additional explanations and supporting documentation on the issues were requested by the Commission and they were sent to the Commission on 14 December 2005. The Permanent Representation was informed by a letter (Ref. No. D (2006) 3162) of 21 February 2006 that the European Commission will abstain from any financial corrections.

7 Progress in the implementation of priorities and measures in relation to the attainment of the objectives of the SAPARD Programme

The SAPARD Programme was launched on 15 April 2002. The decision No. 2002/298/EC conferring the management of aid on the SAPARD Agency in the Czech Republic (for all measures but measure 2.3 and 3.1) was published in Official Journal L 102, pp 32 – 33.

Commission Decision 2003/123/EC conferring the management of aid for measure 2.3 was published on 19 February 2003 and Commission Decision 2003/581/EC in relation to measure 3.1 was published on 1 August 2003.

The SAPARD Programme has been implemented by the SAPARD Agency in co-operation with the Ministry for Regional Development – for measure 2.1 “Renovation and development of villages and rural infrastructure“ and 2.2 “Development and diversification of economic activities providing for multiple activities and alternative income“.

Starting from 1 January 2004, the SAPARD Agency (including its regional offices) became a part of the SAIF. The continuation of the administration of the SAPARD Programme is ensured by regional offices of the SAIF (RO SAIF) as well. Same as in the case of the RO SA there are 7 RO SAIF – in Prague for the region of Prague and Central Bohemia, in České Budějovice for the Southwest region, in Ústí nad Labem for the Northwest region, in Hradec Králové for

the Northeast region, in Brno for the Southeast region, in Olomouc for the Central Moravia and in Opava for the Moravskoslezsko region. Officers of the MRD take part in the administration and control of projects under measures 2.1 and 2.2.

7.1 First assessment of the economic, social and environmental impact of the programme

The design of the SAPARD Programme in the Czech Republic has had a significant bearing on the Programme's financial effectiveness. The available measures covered most of the Czech Republic's territory (most projects were submitted in traditional farming regions) and various sectors of agriculture and food industry. The Programme has made a substantial contribution to the selected sectors' approximation to Community standards and *acquis communautaire*.

In addition to outputs related to operational objectives, the SAPARD Programme brought also a number of results and impacts. These results and impacts are directly related to specific objectives of measures as well as to overall objectives of the Programme as such. They include for instance increased income of supported operators, increased labour productivity, rationalisation of production processes, rational use of production factors, positive effects on the environment and animal welfare, greater diversification, sustainability and attractiveness of economic activities in rural areas, higher competitiveness thanks to higher productivity and improved quality, improved working and public health conditions in plants, and new jobs, which has been important particularly in the regions suffering from high unemployment.

The SAPARD Programme in the Czech Republic was also able to respond flexibly to unexpected disasters and subsequent difficulties of farmers by opening an extraordinary flood related call for applications. Thanks to the European Commission's obliging attitude, administrative issues had been quickly resolved and the SAPARD Programme supported the restoration of damaged or destroyed buildings in affected regions contributing to alleviation of economic losses.

Preliminary assessment of the results of the implementation of individual SAPARD measures and of the fulfilment of objectives set for individual measures in the SAPARD Plan is presented in chapter 7.3. Final assessment of the SAPARD Programme's impact in the Czech Republic will take place in the framework of an ex-post evaluation to be performed in conformity with the MAFA, Section B, Article 11.

7.2 Payments

Within the overall allocation for the SAPARD Programme (an allocation for 2000-2003) of some CZK 3.9 billion (EUR 122.4 million), 1495 projects were reimbursed by the end of November 2005 with a total of CZK 3 894 810 864, of which CZK 2 948 033 530 came from the EU, 810 821 782 from national sources and CZK 135 955 552 from regional sources.

Table 5: Overview of allocations, concluded commitments and reimbursed projects as on 30 November 2005, by measure

		Approved allocation for 2000-2003		Commitments concluded as on 30 November 2005			Projects reimbursed as on 30 November 2005		
		Public funding	of which EU contribution	Number of projects	Public funding	of which EU contribution	Number of projects	Public funding**	of which EU contribution**
Priority I - Increasing the competitiveness of agriculture									
1.1.	Investments in agricultural holdings	764 280 447	582 645 517	359	791 741 789	603 321 198	349	764 280 447	582 645 517
1.2.	Improving the processing and marketing of agricultural and fishery products	770 273 040	580 315 526	288	870 806 349	656 105 404	272	770 273 040	580 315 526
1.3.	Improving structures for the quality control, for the quality of foodstuffs and for consumer protection	268 947 095	201 710 291	191	320 630 802	240 473 081	178	268 947 095	201 710 291
1.4.	Land improvement and reparation	658 297 166	493 722 788	305	736 252 329	552 189 174	301	658 297 166	493 722 788
Priority II – Sustainable development of rural areas									
2.1.	Renovation and development of villages and rural infrastructure	973 392 144*	738 856 485	197	1 037 081 643*	787 175 817	192	973 392 144*	738 856 485
2.2.	Development and diversification of economic activities providing for multiple activities and alternative income	416 922 567	318 230 512	129	464 714 729	354 127 597	123	416 922 567	318 230 512
2.3.	Agricultural production methods designed to protect the environment and maintain the countryside	12 585 689	9 439 245	36	21 761 205	16 320 865	36	12 585 689	9 439 245
Priority III - Professional assistance									
3.1.	Improvement of vocational training	19 539 975	14 654 975	33	22 275 646	16 706 734	33	19 539 975	14 654 975
3.2.	Technical assistance	10 572 741	8 458 191	16	11 566 154	9 252 921	11	10 572 741	8 458 191
Total		3 894 810 864	2 948 033 530	1 554	4 276 830 646	3 235 672 791	1 495	3 894 810 864	2 948 033 530

* allocations and payments including regional sources

**disbursed amounts represent actually disbursed amounts reduced by recovered amounts, which are after recovery always used to finance other not yet reimbursed projects.

Out of this amount i.e. EUR 122.5 million (EU funds) only an amount of EUR 327.29 remained unused and will have to be paid back to the European Commission when closing the programme. The amount was not used for the "remaining" Sapard projects i.e. the ones for which Sapard funds were exhausted and which will be paid from the HRDP programme, since much higher amounts for these projects are required (see Table 6).

As shown in table 5 the greatest part of payments went to projects under the rural development measure 2.1. "Renovation and development of villages and rural infrastructure" amounting up to 25 % of total payments.

This is followed by the amounts paid for measure 1.2 "Improving the processing and marketing of agricultural and fishery products" and measure 1.1 "Investments in agricultural holdings" which account for 20 % of total payments respectively. Adding the payments made under measure 1.3 to those performed under measure 1.2, one can say that the agri-food processing sector received 27 % of total SAPARD payments. 17 % of total payments went to projects under measure 1.4 "Land improvement and reparation".

In conformity with the decision of the National SAPARD Monitoring Committee, the interest obtained on the SAPARD EURO account (CZK 5 907 900) was used for the reimbursement of expenditures related to 2 projects under measure 1.2 “Improving the processing and marketing of agricultural and fishery products“.

Payments for the "remaining" SAPARD projects (see table 6 and 7) started as of 1 December 2005, out of the EAGGF Guarantee Section in the framework of the Horizontal Rural Development Programme (HRDP). Based on a Commission decision of 12 December 2005, the HRDP for 2004-2006 was amended to "cover" the "remaining" SAPARD projects. The expenditures related to the amendments approved by the above decision were eligible as of 18 October 2005.

Table 6: List of SAPARD projects/project stages to be funding from the HRDP

Measure	Number of projects	Total (CZK)
1.1.	13	22 191 208
1.2.	26	85 200 050
1.3.	21	49 407 858
1.4.	4	27 413 809
2.1.	6	44 155 776
2.2.	12	53 169 218
2.3.	45	9 175 515
3.1.	5	2 069 700
3.2.	10	1 470 000
Total	142	294 253 134

Note: Given that projects under all SAPARD measures may consist of several stages, the total number of projects indicated in this table is higher than the difference between active commitments and reimbursed projects shown in Table 5.

As shown by table 7, 36 payments (for projects or parts of projects) were performed in December 2005 which amounted to CZK 105 737 873 and made available from the HRDP funds.

Table 7: SAPARD projects reimbursed from the HRDP funds in 2005

Measure	Reimbursed projects	Total (CZK)
1.1.	1	4 790 400
1.2.	5	26 011 000
1.3.	4	10 533 850
1.4.	2	22 550 244
2.1.	2	27 803 909
2.2.	3	10 661 208
2.3.	18	3 330 762
3.1.	0	0
3.2.	1	56 500
Total	36	105 737 873

7.3 Implementation of measures

Over 3000 projects were submitted for funding under the SAPARD Programme during 7 calls for applications organized by the SAPARD Agency. 1692 projects were finally approved.

By 31 December 2003, contracts totalling CZK 4.5 billion had been concluded. On 30 November 2005, all SAPARD funds available were paid to beneficiaries finally covering 1495 contracts (see Table 5).

The remaining part of "open" commitments of CZK **294 253 134** (i.e. 142 SAPARD projects or parts of it for which SAPARD funds were exhausted) had to be transferred to HRDP for payments (see also chapter 7.1).

7.3.1 Measure 1.1. – Investments in agricultural holdings

In the course of all calls for applications for SAPARD support, a total of 384 projects were approved under this measure applying for a total of CZK 804 million.

On 30 November 2005, the balance showed 359 projects involving a total of CZK 791.8 million (i.e. 103.5 % of available EU funding).

Finally 349 projects were completed and reimbursed out involving a total support of CZK 764 million (i.e. 97 % of commitments). In 2005 27 projects receiving CZK 53.8 million were completed. The remaining commitments will be disbursed under the HRDP (see table 6).

A regards individual sub-measures, 56 % of commitments concerned livestock welfare, 21 % concerned reconstruction of storage capacities for fruit and vegetables and 23 % concerned reconstruction of storage capacities for livestock manure. For more detailed information see Tables a1 and a2 in Annex 2.

The mid-term evaluation assessed this measure as relevant and in conformity with the Programme's objectives. Nevertheless, it provided certain recommendations concerning in particular a more precise definition of the measure's objectives. The recommendations were taken into account in subsequent programmes. Positive effects of this measure include for instance increased productivity, improved quality of agricultural products or enhanced animal welfare. Final impact of this measure will be assessed in the framework of an ex-post evaluation of the SAPARD Programme.

Table 8: Projects reimbursed under measure 1.1 by individual RO SAIF

RO SAIF	Reimbursed projects	Reimbursed amount (CZK)
Central Bohemia + Praha	65	172 969 358
České Budějovice	90	154 260 452
Ústí nad Labem	16	73 762 745
Hradec Králové	22	50 642 974
Brno	95	201 439 440
Olomouc	41	77 252 237
Opava	20	33 953 241
Total	349	764 280 447

1.1.1. Livestock welfare

The objective of this sub-measure was to improve the welfare of livestock, namely cattle and sows. It was established that housing capacities for 600 000 – 900 000 head of cattle and for 160 000 sows need to be reconstructed in the Czech Republic.

The objective set in the Plan and adjusted on the basis of the final allocation for 2000-2003 was to support reconstruction of housing for 7 543 head of cattle and 13 715 sows and to implement 206-223 projects which was fulfilled to 109-117 %. Completed projects involved reconstruction of 257 557 m² of cattle housing facilities and 137 103 m² of pig housing facilities.

1.1.2. Reconstruction of storage capacities for fruit and vegetables

This sub-measure focused on the reconstruction of storage capacities for fruit and vegetables. It was estimated in the Plan that there is a need to reconstruct storage capacities for 60 000 tonnes of fruit and vegetables. The objective set in the Plan and adjusted on the basis of the final allocation for the period 2000-2003 was to support the reconstruction of storage capacities for 34 286 tonnes (17 143 t of vegetables and 17 143 t of fruit) and approximately 3 projects involving in average 12 000 t of storage capacities each.

Within the entire SAPARD Programme, 45 contracts were concluded for a total amount of CZK 168 103 902. Completed projects involved the reconstruction of storage capacities for 27 701 tonnes of fruit (i.e. 162 % of the objective) and 48 846 tonnes of vegetables (i.e. 285 % of the objective). As far as storage capacities for vegetables were concerned, the interest in the support was higher than expected, while contrary to expectations a higher number of smaller projects was implemented.

1.1.3. Reconstruction of storage capacities for livestock waste

The objective of this sub-measure was to support storage capacities for livestock manure. With pig numbers totalling 4 million head, the Plan stated a need to build about 50 % of tanks defined as necessary, i.e. 1.6 million m³, in order to meet the requirements of Council Directive 91/676/EEC.

The objective set in the Plan and adjusted on the basis on the final allocation for the period 2000-2003 was to support the construction of 0.9 million m³ tanks through 115 - 126 projects. Within the entire SAPARD Programme, 97 contracts were concluded for a total of CZK 188 959 341, which represented 77-84 % of the planned objective. Completed projects involved 35 459 m³ of manure storage facilities and 238 013 m³ of slurry tanks.

7.3.2 Measure 1.2. – Improving the processing and marketing of agricultural and fishery products

In the course of all calls for applications for support under this measure, a total of 329 projects were approved applying for a total of CZK 931 million.

On 30 November 2005, the balance showed 288 projects involving a total of CZK 871 million (i.e. 113.1% of available EU funding).

Finally 272 projects were completed and reimbursed out involving a total support of CZK 770 million (i.e. 88 % of commitments). In 2005 26 projects receiving CZK 70 million were completed. The remaining commitments will be disbursed under the HRDP (see table 6).

Processing undertakings were highly interested in support from the SAPARD Programme. According to the SAPARD Plan, 30 % of the funding were to be allocated to dairy industry, 40 % to meat industry, 10 % to fish processing and 20 % to support regional products. Table b.1. in Annex 2 shows that these objectives were almost met: 55 % of commitments were related to meat industry, 31 % to dairy industry, 5% to fish processing and 9 % to regional products. The number of submitted projects related to meat processing was much higher than foreseen in 2000.

According to the mid-term evaluation of the SAPARD Programme, the measure was relevant and in line with the Programme's objectives. Positive effects of the measure include for instance improved outlets for new products or a greater rationalisation of production factors. Final impact of this measure will be assessed in the framework of an ex-post evaluation of the SAPARD Programme. The mid-term evaluation made certain recommendations proposing for instance a more targeted support for small and medium sized enterprises. These recommendations were taken into account in the implementation of subsequent programmes.

Table 9: Projects reimbursed under measure 1.2 by individual RO SAIF

RO SAIF	Reimbursed projects	Reimbursed amount (CZK)
Central Bohemia + Praha	34	101 501 306
České Budějovice	67	207 591 381
Ústí nad Labem	15	46 788 777
Hradec Králové	48	104 578 729
Brno	52	157 677 235
Olomouc	36	89 349 895
Opava	20	62 785 717
Total	272	770 273 040

Note: The amount contains also projects paid from the interest accrued on the SAPARD Euro account and the term deposit to this account. The total value of both projects amounted to CZK 5 907 900 (interest earned CZK 4 430 925 and CZK 1 476 975 co-financing from MoA).

1.2.1. Establishment and modernisation of technologies

The main objective of this sub-measure was to establish and modernise production and processing technologies, which is one of the most important steps leading to an increased competitiveness of enterprises.

Completed projects to modernise and upgrade standards to the EU level involved dairies with a capacity of 13 902 930 000 litres, slaughterhouses with a capacity of 1 650 244 tonnes and fish processing facilities with a capacity of 6 698 tonnes.

Within the entire SAPARD Programme, 303 contracts were concluded for a total amount of CZK 893 075 808. Given that the objective for the allocation for the period 2000-2003 was to support 184-274 projects, the measure can be assessed as very effective as that objective was fulfilled to 111-165 %.

1.2.2. Support for regional products

The objective of this sub-measure was to support the processing and marketing of regional agricultural products connected with a traditional production of local specialties and organic products.

Contracts were concluded for a total of 26 projects with public funding amounting to CZK 82 375 341. The completed projects involved 25 new technologies and 8 upgraded technologies. The same project could encompass more areas.

Given that the objective for the allocation for the period 2000-2003 was to support 46-69 projects, the sub-measure's objective was fulfilled to 38-57 %. Lower interest of applicants at the beginning of the SAPARD Programme implementation was later replaced by a growing interest in the sub-measure.

7.3.3 Measure 1.3. – Improving structures for the quality control, for the quality of foodstuffs and for consumer protection

In the course of all calls for applications for support under this measure, a total of 227 projects were approved applying for a total of CZK 351 million.

On 30 November 2005, the balance showed 191 projects involving a total of CZK 321 million (i.e. 119.2 % of available EU funding).

Finally 178 projects were completed and reimbursed out involving a total support of CZK 269 million (i.e. 84 % of commitments). In 2005 16 projects receiving a total of CZK 26 million were completed. The remaining commitments will be disbursed under the HRDP (see table 6).

The objective set in the Plan and adjusted on the basis of the final allocation for the period 2000-2003 was to support approximately 190 projects. This objective was met to 94 %. Support under the HACCP sub-measure was provided to 171 plants and support under the SEUROP sub-measure to 8 plants (see Tables c.1. and c.2. in Annex 2).

The mid-term evaluation stated that this measure is in accordance with the Programme's objectives and leads to a considerable improvement of product quality and improved consumer protection. Final impact of this measure will be assessed in the framework of an ex-post evaluation of the SAPARD Programme.

Table 10: Projects reimbursed under measure 1.3 by individual RO SAIF

RO SAIF	Reimbursed projects	Reimbursed amount (CZK)
Central Bohemia + Praha	17	27 867 633
České Budějovice	26	39 650 629
Ústí nad Labem	6	6 440 826
Hradec Králové	45	66 241 994
Brno	37	52 023 794
Olomouc	30	48 985 448
Opava	17	27 736 771
Total	178	268 947 095

1.3.1. SEUROP classification of carcasses

The objective of this sub-measure was to introduce a common system of pig carcass classification (SEUROP system), the absence of which was defined in the SWOT analysis of the SAPARD Programme as a weakness. The completed projects introducing the SEUROP system covered capacities amounting to 151 978 tonnes.

Even though objectives have not been set at the sub-measure level, it can be stated that the interest in the sub-measure was lower than expected. The main reason for this was probably a delay in the start of the SAPARD Programme. Applicants could not wait for the postponed launch of the SAPARD Programme and had to make financial investments before the beginning of the SAPARD Programme as the obligation to provide for quality control was imposed by Act No. 110/97 in combination with Decrees No. 147/98, 112/2001 and 354/2001, as amended. For this reason, financial tables for the entire measure were amended and some finance was transferred to measure 1.2. The performance of this sub-measure was extremely low compared to the objectives set in the SAPARD Plan.

1.3.2. Assistance in the introduction of the HACCP

Completed projects introducing the HACCP system covered capacities of 5 862 829 tonnes. The effectiveness in connection with the HACCP implementation is satisfactory, reaching 100 % for projects in the dairy sector and 42% for projects in the meat sector.

7.3.4 Measure 1.4. – Land improvement and reparation

In total 309 projects were approved under this measure in the framework of all calls for applications for support from the SAPARD Programme. On 30 November 2005, the balance showed 305 projects involving a total of CZK 736 million (i.e. 111.8% of available EU funding).

Finally 301 projects were completed and reimbursed out involving a total support of CZK 658 million (i.e. 89 % of commitments). In 2005 39 projects receiving a total of CZK 79 million were completed. The remaining commitments will be disbursed under the HRDP (see table 6). More detailed information concerning this measure is presented in Tables i.1. and i.2. in Annex 2.

The mid-term evaluation stated that this measure is very relevant in order to provide for sustainable rural development. Final impact of this measure will be assessed in the framework of an ex-post evaluation of the SAPARD Programme.

Table 11: Projects reimbursed under measure 1.4 by individual RO SAIF

RO SAIF	Reimbursed projects	Reimbursed amount (CZK)
Central Bohemia + Praha	33	78 537 870
České Budějovice	82	173 644 743
Ústí nad Labem	16	44 818 460
Hradec Králové	37	69 896 582
Brno	98	205 164 270
Olomouc	28	78 742 439
Opava	7	7 492 802
Total	301	658 297 166

1.4.1. Construction and reconstruction of field roads, building of the TSES, and anti-erosion measures

The objective of this sub-measure was to provide access to land, to optimise its organisation, to increase ecological stability of countryside and to protect soil. The completed projects involved 217 km of field roads, 157 TSES elements and 123 anti-erosion measures.

The operational objective adjusted on the basis of the final allocation for the period 2000-2003 was to implement this sub-measure on some 29 000 ha. This objective was fulfilled to 41 %.

1.4.2. Surveying, new mapping in digital form, delimitation of parcels including geometric plans

This sub-measure's objective was to complete the transformation of ownership relations and to enable the farming of own land. The completed projects involved 7 165 ha of newly delimited parcels, newly created digital maps for 9 828 ha and 11 893 parcels surveyed pursuant to Act No. 229/1991 Coll.

The objective adjusted on the basis of the final allocation for the period 2000-2003 was to apply this sub-measure on some 49 000 ha. The reimbursed projects fulfilled this objective to 29 %. The remaining projects will be reimbursed in 2006 at the latest. Within the entire SAPARD Programme 120 contracts were concluded for a total amount of CZK 112 551 221.

7.3.5 Measure 2.1. – Renovation and development of villages and rural infrastructure

The main objective of this measure was to improve the quality of life and of the environment in rural areas as well as the conditions for the operation of businesses, creation of jobs and business opportunities.

In the course of all calls for applications for support under this measure, a total of 200 projects were approved applying for a total of CZK 892 million (an amount without regional sources).

On 30 November 2005, the balance showed 197 projects involving a total of CZK 1 037 million including regional funding sources (i.e. 106.5 % of available EU funding).

Finally 192 projects were completed and reimbursed out involving a total support of CZK 973 million (i.e. 94 % of commitments). In 2005 27 projects receiving a total of CZK 212 million were completed. The remaining commitments will be disbursed under the HRDP (see table 6).

The implementation of this measure was very successful, namely because the projects were implemented by highly active towns and villages. Many projects were rejected because of a shortage of available funding.

The objective set in the Plan and adjusted on the basis of the final allocation for the period 2000-2003 was to create approximately 143 new jobs. This objective was fulfilled to 43 % (the commitments cover the creation of 62 new jobs). Even though the set objective was met to just 43 %, the number of submitted projects shows the achievement of a potentially high effectiveness of this measure. The mid-term evaluation assessed this measure as highly relevant, with a number of positive effects (e.g. increased attractiveness of rural areas, positive effect on the quality of life in rural areas, preservation of rural heritage, etc.). In view of the stage of the SAPARD Programme implementation, the recommendation to refine the project selection system was taken into account in subsequent programmes. Final impact of this measure will be assessed in the framework of an ex-post evaluation of the SAPARD Programme.

Table 12: Projects reimbursed under measure 2.1 by individual RO SAIF

RO SAIF	Reimbursed projects	Reimbursed amount (CZK)*
Central Bohemia + Praha	42	154 301 192
České Budějovice	52	161 907 880
Ústí nad Labem	13	65 757 066
Hradec Králové	24	139 774 956
Brno	31	225 070 930
Olomouc	19	104 300 045
Opava	11	122 280 075
Total	192	973 392 144

* the reimbursed amounts include regional funding sources

2.1. a) Renovation and development of villages

67,4 % of the total amount for measure 2.1 was paid under this sub-measure.

The completed projects involved 72 645 m³ of built space of reconstructed and utilised cultural monuments, 2 931 m² of municipal flats, 38 683 m² of reconstructed civic amenities, 366 332 m² of revitalised public areas and 3 077 m² of utilisable area of ICT centres. More detailed information is given in Table h.1. in Annex 2.

2.1. b) Development of rural infrastructure

32,6 % of the total amount for measure 2.1 was paid under this sub-measure.

The completed projects involved 93.7 km of repaired local roads and 34.3 km of constructed local roads, 12 049 m of water supply systems, 22 628.5 m of sewerage systems, 4 429.8 m² of waste collection points and 1 545 m² of waste processing facilities. More detailed information is given in Table I.1. in Annex 2.

7.3.6 Measure 2.2. – Development and diversification of economic activities providing for multiple activities and alternative income

This measure's objective was to develop and diversify economic activities providing for multiple activities and alternative income.

In the course of all calls for applications for support under this measure, a total of 147 projects were approved applying for a total of CZK 479 million.

On 30 November 2005, the balance showed 129 projects involving a total of CZK 465 million (i.e. 111.3 % of available EU funding).

Finally 123 projects were completed and reimbursed out involving a total support of CZK 417 million (i.e. 90 % of commitments). In 2005 8 projects receiving a total of CZK 34 million were completed. The remaining commitments will be disbursed under the HRDP (see table 6).

Table 13: Projects reimbursed under measure 2.2 by individual RO SAIF

RO SAIF	Reimbursed projects	Reimbursed amount (CZK)
Central Bohemia + Praha	9	41 997 707
České Budějovice	41	105 746 861
Ústí nad Labem	17	23 359 626
Hradec Králové	17	63 138 445
Brno	22	117 932 299
Olomouc	15	61 626 721
Opava	2	3 120 908
Total	123	416 922 567

The completed projects involved 18 017 m² of reconstructed buildings for the development of rural tourism, 5 484 m² of buildings for the development of crafts and regional products, 7 601 m² of reconstructed buildings for the development of basic services, 11 906 m² of retail areas, 46 markets, energy capacity of 1 837 356 kWh/year from alternative sources, 235 m² of buildings of small and medium-sized enterprises in ICT and 59 949 m² of buildings of other small and medium-sized enterprises. More detailed information is given in Table e.1. in Annex 2.

In spite of a small number of projects, the measure is highly effective, namely in the creation of new jobs (commitments indicate 958 new jobs, i.e. 84 % of the objective set in the SAPARD Plan as adjusted on the basis of the final allocation for the period 2000-2003). Due to a shortage of available funding, support was granted to 17-27 % of the expected number of projects.

The mid-term evaluation considered the measure to be highly relevant for sustainable development of rural areas. However, it recommended in particular to review the hierarchy of objectives, to support also the establishment of small and medium sized enterprises and to concentrate more on the diversification of activities on farms. In view of the stage of the SAPARD Programme implementation, the recommendations were taken into account in

subsequent programmes. Measure 2.2 has significant positive effects on increasing the attractiveness of villages and rural areas for individuals and enterprises. Final impact of this measure will be assessed in the framework of an ex-post evaluation of the SAPARD Programme.

7.3.7 Measure 2.3. – Agricultural production methods designed to protect the environment and maintain the countryside

The main objective of this measure was to gain sufficient experience for the preparation of future agri-environmental scheme. In total 36 projects were approved under this measure applying for a total of CZK 21 761 205 (i.e. 172.9 % of available EU funding). Disbursements amounted to CZK 12 585 689 (i.e. 58 % of commitments). The remaining commitments will be disbursed under the HRDP (see table 6).

The objective of measure 2.3, which was prepared as a pilot agri-environmental scheme for the period before the Czech Republic's accession to the EU, was fulfilled. Beneficiaries were submitting applications for a period of four years and were gaining experience with this type of measure.

The impact of this measure will be assessed in 2006 when the contracts will come to an end. The assessment will take place through expert analyses of the final situation. Phytosociological and entomological monitoring will be carried out. The monitoring will be performed under measure 3.2 Technical assistance. More detailed information is given in the 2003 Annual Report.

7.3.8 Measure 3.1. – Improvement of vocational training

The main objective of this measure was to improve the professional training of farmers and other operators taking part in agriculture and related activities and in their diversification.

In total 34 projects were approved under this measure applying for a total of CZK 22 681 646. On 30 November 2005, the balance showed 33 projects involving a total of CZK 22 275 646 (i.e. 114 % of available EU funding). Altogether, 33 projects received payments totalling CZK 19 539 975. As the projects consist of several stages, the remaining commitments will be disbursed under the HRDP (see table 6).

Of the projects under this measure, 14 (i.e. 41 % of approved projects) dealt with the acquisition of skills necessary for the management of viable farms and 13 (i.e. 38 % of approved projects) were related to training in environmental matters. The training events were attended by a total of 24 473 persons. More detailed information is given in Tables k.1. and k.2. of Annex 2.

The mid-term evaluation considered this measure as relevant and in accordance with the Programme's objectives. However, it made several recommendations related to the preparation of a subsequent programme (it was recommended for instance to optimise the management of the measure and to provide greater flexibility to the operators implementing the training activities). The Institute for Agricultural and Food Information benefited from the measure by gaining practical experience in project implementation and administration. The impact of this measure will be assessed in the framework of an ex-post evaluation of the SAPARD Programme.

8 Experience gained within the SAPARD Programme

In order to implement the SAPARD Programme in the Czech Republic, a SAPARD Agency was set up including seven regional offices. This administrative structure was used to implement the subsequent Operational Programme “Rural Development and Multifunctional Agriculture”. In the course of the SAPARD Programme implementation, detailed procedures were introduced and officers at all stages of implementation gained invaluable knowledge and skills related to the administration of EU structural funds, especially as regards control procedures and public procurement according to EU rules. Experience gained regarding the application of *acquis communautaire* was equally important. All the above experience contributed substantially to a successful and rapid start of using structural funds after the Czech Republic’s accession to the EU.

9 Steps taken to ensure co-ordination of all the Community pre-accession assistance

The Joint Phare Monitoring Committee is the supreme co-ordination body for the pre-accession assistance under Phare, SAPARD and Ispa. The Committee meets twice a year and its task is to monitor and evaluate the implementation of the Programme and projects as regards the overall fulfilment of the goals established in the Financial Memoranda. Members of the Joint Phare Monitoring Committee are regularly informed about the activities supported under SAPARD, ISPA and Phare.

The Joint Monitoring Committee is complemented by Sectoral Monitoring Sub-Committees, which meet also twice a year. These monitor the progress in the implementation of projects in their respective sectors.

The final report from the mid-term evaluation of the SAPARD Programme states that there is no overlap between the financing from the SAPARD Programme and Phare in the Czech Republic.

Moreover, before any SAPARD project is reimbursed, the accounting records of the beneficiary are checked as to whether funding from a source other than SAPARD has not been obtained for the same purpose. The check is carried out also in the CEDR information system, namely before the project is reimbursed (check whether national aid is not provided for the same purpose) and also in the framework of ex-post checks (after project reimbursement). No double funding has been detected. The control system is reliable also thanks to the checking of the beneficiaries’ accounting records, where it is checked that all operations related to a project implemented with support from the SAPARD Programme are correctly entered into accounts.

There has always been a close co-operation with the representatives of the Ministry of Agriculture, the Ministry for Regional Development and the Centre for Foreign Assistance within the Ministry of Finance, especially as regards the sharing of information on approved projects. Moreover, representatives of the Ministries responsible for the implementation of the ISPA and Phare programmes are members of the National SAPARD Monitoring Committee.

10 List of abbreviations used

AFA	Annual Financing Agreement
Agriculture OP	Operational Programme “Rural Development and Multifunctional Agriculture”
CAP	common agricultural policy
CEDR	Central Register of Budgetary Subsidies
EIA	environmental impact assessment
EU	European Union
GDP	gross domestic product
HACCP	Hazard Analysis and Critical Control Points
HRDP	Horizontal Rural Development Plan
ICT	information and communication technology
MAFA	Multiannual Financing Agreement between the Czech Republic and the Commission of the European Communities on behalf of the European Community
MoA	Ministry of Agriculture
MRD	Ministry for Regional Development
NMC	National SAPARD Monitoring Committee
NUTS	Nomenclature des unités territoriales statistiques Regional and Local Statistical Units of the EU Member States
OJ	Official Journal of the European Communities
PLA	Protected Landscape Area
RO SA	Regional Office of the SAPARD Agency
RO SAIF	Regional Office of the State Agricultural Intervention Fund
RMS	Regional Monitoring Subcommittee
SA	SAPARD Agency
SAIF	State Agricultural Intervention Fund
SAPARD	Special Accession Programme for Agriculture and Rural Development
SEUROP	carcass classification system
TSES	territorial system of ecological stability

11 List of measures

- Measure 1.1 Investments in agricultural holdings
 - 1.1.1 – Livestock welfare
 - 1.1.2 – Reconstruction of storage capacities for fruit and vegetables
 - 1.1.3 – Storage capacities for livestock waste
- Measure 1.2 Improving the processing and marketing of agricultural and fishery products
 - 1.2.1 – Establishment and modernisation of technologies
 - 1.2.2 – Support for regional products
- Measure 1.3 Improving structures for the quality control, for the quality of foodstuffs and for consumer protection
 - 1.3.1 – SEUROP classification of carcasses
 - 1.3.2 – Assistance in the introduction of the HACCP

Measure 1.4 Land improvement and reparation

1.4.1 – Construction and reconstruction of field roads, building of the TSES, and anti-erosion measures

1.4.2 – Surveying, new mapping in digital form, delimitation of parcels including geometric plans pursuant to Act No 229/1991 Coll.

Measure 2.1 Renovation and development of villages and rural infrastructure

2.1 a) – Renovation and development of villages

2.1 b) – Development of village infrastructure

Measure 2.2 Development and diversification of economic activities providing for multiple activities and alternative income

Measure 2.3 Agricultural production methods designed to protect the environment and maintain the countryside

Measure 3.1 Improvement of vocational training

Measure 3.2 Technical assistance

12 Annexes

Annex 1: Financial table in force by the end of 2005

Annex 2: Monitoring tables

Annex 3: Table for the monitoring of sensitive areas

Annex 4: Recommendations of the European Commission audit of 19 – 23 September 2005