



**EUROPEAN COMMISSION**  
Employment, Social Affairs and Inclusion DG

Social Market Economy in Member States II: ESF  
Czech Republic, Poland, Slovakia

Brussels,  
EMPL/F4/AC/HV/is

Ms Hana Podubecká  
Director of OPEC Management Department  
Ministry of Education, Youth and Sports  
Karmelitská 7  
CZ-118 12 PRAGUE

**Subject: Proposed projects in intervention area 3.1 - OKNO and Sport and the possible consequence on the whole programme**

Dear Ms Podubecká,

Following our discussions on the individual national projects during last months and the recent letter<sup>1</sup> of our director Mr Jorgensen announcing detailed comments of the Commission services on the projects OKNO and Sport proposed for financing under the intervention area 3.1, you will find hereunder the comments together with general remarks on any other potential projects under the priority axis 3 of the OP Education for Competitiveness (OP). The main messages of this letter have already been orally conveyed to Ms Schautová, the new EU Operational Programmes section director at your ministry, during her courtesy visit on 18 January 2012.

As it has been stated by the Commission services at many occasions, the objective of the whole priority axis 3 is to facilitate individual access and motivation to further education and to deepen the offer of further education with the aim to contribute to improving citizens' skills and reducing and eliminating the mismatch between skills provided by the education and vocational training system and the labour market needs.

The programme defines the intervention area 3.1 to support three main competencies - languages, IT, entrepreneurship - deemed necessary for the objective specified above. More general activities which are also mentioned there, namely support for general and expert competencies, should be seen as complementary and this approach was stressed during the negotiations of the programme and at the monitoring committees later on.

National projects, which we have been discussing with you from June 2011, should thus be designed to promote and implement structural changes and reforms to fulfil the objective of the priority axis and intervention area under which they are to be financed.

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<sup>1</sup> to Deputy Minister Mr Zaořálek of 19 December 2011 (ref.: Ares (2011)1375407); the reply was received on 23 January 2012 (ref.: Ares(2012)74136)

When the project CEKOS on further education of citizens in general competences was presented to the Commission services in September 2011, I provided you with our comments. Among other things, we expressed our doubts about the potential allocation of such an important amount of financial resources to areas where the existence of basic conditions for the support were very questionable. On 8 December 2011 we have received proposals for two new projects (OKNO and Sport) we have not heard before being prepared, replacing without any explanation the CEKOS project. Surprisingly, these projects were not even presented or discussed the day after during our special meeting on national projects in Prague. Due to their doubtful quality, I wonder if and how the relevant ministry sections responsible for these areas of intervention participated in their elaboration. Since at the same time, the deputy minister and section director for EU operational programmes section have been changed (Mr Hodinář was replaced in December 2011 and Mr Plaga left the ministry after only eight working days), I had no chance to clarify the situation with them.

In the annex to this letter you will find detailed comments on the OKNO and Sports projects, based on information from December 2011 and additional official information gathered by my services since then. Nevertheless, these projects raise some general problematic issues that I would like to highlight now, understanding that these projects are not finalized:

#### *1. Content of the projects / General eligibility*

Projects are linked to the activity "support for general and expert competencies" which should be, as explained above, only additional and complementary to the main objective of the activities supported in the intervention area 3.1. In case of Sport project, the activities like training of sport teachers and trainers and motivation of people to physical culture or collective sports simply fall out of the intervention area 3.1 or even the programme and we consider them non-eligible as not in-line with the programme objectives.

Moreover, in both cases it is hard to consider the activities within these two projects to be the most problematic or representing a key challenge for improving the quality of the Czech educational and training system and its responsiveness to the labour market needs. The significant amounts planned to be allocated to these projects are in our view not at all justified in face of the very low contribution they would bring to the above-mentioned objectives..

#### *2. Projects preparation:*

From our analysis, there is no evidence that a prior assessment and evaluation of real needs in the fields concerned has been conducted. It is a fact the Czech Republic faces significant challenges in initial education connected with decreasing achievements of Czech pupils in PISA survey, quality of tertiary education, low participation in lifelong learning, and scarce financial resources for schools, universities and research institutions. In such situation and moreover in time of budget austerity measures it is hardly understandable to devote such a significant amount of 1.2 billion CZK to fields where a contribution to the fulfilment of the programmes objectives and to real systemic changes as well the efficiency of the structural funds interventions are doubtful.

Assessment and evaluation mentioned above should be a starting point for preparation of any project. The round table organised on 29 December 2011 (and only for Sport project, OKNO project has not been discussed at all) should not be regarded as a sufficient instrument in this respect. The input of the relevant ministry sections, the experts and other stakeholders is very limited or not traceable.

### 3. *Projects implementation / Target groups:*

Media campaign and the use of media for presenting and delivering education through documents is a main implementation tool planned to be used. However, the intervention area 3.1 is focused on further individual education, i.e. direct work with people. The passive and indiscriminate distribution proposed in the project is certainly not capable of addressing specific targets nor appropriate to especially reach the disadvantaged groups. As a result, such project can hardly lead to any meaningful impact. Of course, the ESF support inclusion or use of media, but only for a properly justified part of the project and as one of different means how to reach the target group or to popularize the project and new method results. The main real beneficiary of these two projects would be media corporations not individuals needing to increase their skills to better respond to labour demand.

In this respect, we have also noted with concern Czech media speculations about possible fraud and misuse of the ESF financial resources in relation with the regional elections to be held this year due to an uneasy control of media expenditures.

### 4. *Geographical eligibility:*

It should be noted that the priority axis 3 covers only Convergence objective, not the Regional Competitiveness and Employment (Prague). However, for any systemic project it is logical to include Prague region into its implementation. Planned TV broadcasting would reach the whole country, but then significant part of the project would face a problem with eligibility with the geographical coverage.

I would like to highlight that there is an important difference in the preparation of these projects and the KREDO project, since we have noticed that comparisons are being made between them. We had substantial comments to an original content of KREDO project, but its eligibility and conformity with the programme objectives was not questioned. The Commission services expressed concerns about the methodology of implementation, the involvement of stakeholders and I warned you that without a strong steering committee the project would be unmanageable and it could finish in significant problems. Moreover, we still expect to receive a full and a last version of the project application before making a final assessment on it.

### **Possible consequence on the whole programme**

The obligation of the managing authority is to ensure good quality of projects, eligibility of their expenditures and sound financial management. As it emerges from the above comments, we consider especially these two projects to be very problematic. Moreover, we see a systemic problem in the low quality of the national projects. Proposals for other projects appear suddenly, without proper justification, several of them being focused on creating web portals for dozens or hundreds of million CZK.

This leads the Commission to serious doubts if there is a clear idea about systemic changes that are really necessary for the modernisation of the Czech educational system and how to focus on key priorities. The way how the projects are intended to be implemented will contribute to spend the ESF financial resources you are responsible for. I wonder if this way is an efficient one and if the projects, which will be finally approved, can be implemented on time and in an effective and efficient way.

One has to keep in mind that the Czech Republic is a significant ESF recipient and spending resources on activities that are either non-eligible or not addressing the main challenges

would serve as a bad example and would damage good reputation of the ESF in general. Furthermore, this could have serious consequences for the role of the ministry as a managing authority of any OP in future and for the whole Czech Republic.

In this respect I have to draw your attention to the fact that the Commission services, based on the audit results from December 2011, have already decided the interruption of your last payment request<sup>2</sup> (that will be, if necessary, applied to all your interim payment requests). It could be replaced by suspension of all payments for indefinite period. In any case the Commission will not resume payments before all audit findings are corrected and the possible financial corrections properly treated.

I mention this as I consider vital that your current primary interest and effort would be to clear all the problems identified by the audit, but also avoid any suspicion of irregularities or potential fraud in the future. Otherwise, you could end up in the situation your expenditures would not be reimbursed for more than one year with all negative political and financial consequences. It should be stressed that in case payments will not be resumed before the end of 2012 it would have significant negative financial impacts as the financial correction is counted from all payment requests sent to the Commission and you are in a high risk of de-commitment and thus have to submit significant payment request in 2012 (for a minimum of € 247 mil).

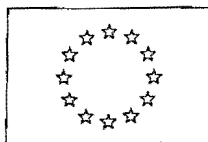
At the same time I would remind you that a recent modification of OPEC (including the re-allocation of financial resources from Priority Axis 3 on further education into Priority Axis 1 on initial education) was conditioned by your commitment to ensure the efficient and smooth use of the remaining allocation in intervention area 3.1 through high-quality projects. That was the reason why we have supported the managing authority in its commitment that the programme would be able to do so when a discussion on a possible re-allocation from the OPEC to the OP Human Resources and Employment (OPHRE) took place in your government in summer 2011 and finally was not agreed.

We have expressed our support also in light of the progress the programme as a whole showed during the last year. This improvement was inevitable as a base for progress was very narrow. I believe that progress made was also a fruit of the Action Plan revitalised in line with our recommendation and then closely monitored by our unit at numerous technical meetings. However, even after several months I can conclude that the national projects proposed seem not to bring neither a necessary quality neither a progress in the financial execution (due to time needed to rework them, if possible at all). On the contrary, the only meaningful project proposed together with the Ministry of Labour and Social Affairs on traineeships in companies for the Fund of Further Education has not been finalised for some months due to "technicalities needed to be clarified".

Given the re-emerging risks arising from these problematic projects and their impact on the global programme implementation I would like to propose you to seriously evaluate again the possibility and the practicalities of re-allocation of financial resources from the area of intervention 3.1 and possibly also from intervention area 3.2 or the priority axis 4. A logical option to be explored is to use OPHRE even if it alone would not eliminate a risk of a de-commitment in 2012 or 2013. At the same time you could consider possibilities in implementing the Youth Opportunities Initiative, approved by the Commission in December 2011, calling Member States for tackling growing youth unemployment.

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<sup>2</sup> The interruption letter was sent to the Permanent Representation (to you in copy) on 24 January 2012.



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### Detailed comments on projects OKNO and Sport

Note: The following is not an exhaustive list of comments of the Commission services.

#### OKNO project

1. The project has a significant financial allocation (580 million CZK, i.e. about 23 MEUR) which is not explained and hardly corresponds to the objectives and expected results of the project as described. Moreover, there is no financial plan in the project proposal to allow a proper assessment of expenditures; activities are not described in detail. Majority of the budget (480 million CZK) should be used for the activity 2, i.e. preparation of learning materials and their subsequent distribution via "mass press media". There is not division of expenditures between creation of materials and their distribution.
2. The above comment strikes even more when looking at the key areas of education (topics) on which education is needed. A poor preparation of the projects is documented by the activity 1 where these areas/topics should be first identified and then verified by experts. It is not acceptable that such a basic pre-requisite is not known before starting a project (by the way, there are already projects in place for example on financial literacy). And it is not credible that despite such basic shortcoming the amounts needed for such activities (e.g. activity 2) are already set up.
3. Proposed way of education of citizens by mass press media's distribution of materials seems not efficient. It is not clear how such a passive method could motivate the citizens to further education or more precisely to self-study; it should not be about just to inform them.
4. If we put aside our huge uncertainty how such approach could be beneficial for the majority of population, it seems even more doubtful for disadvantaged and low-skilled target groups that have specific needs. Especially for them the materials cannot be the same so again the mass media distribution can not be a solution in order to address different target groups. Particularly towards these groups that would need the most education in general competences, an individual approach is necessary.
5. There is hardly any possibility to measure results and impact of the project. This could explain why such important feature of any project is included in the proposal (activity 4), but its description is missing and there is no indication how information would be collected.

## **SPORT project**

1. The project falls out of the eligibility not only of the intervention area 3.1, but also of the programme.

Area 3.1 is for individual education of citizens, not professionals. There are priority areas for professionals in the field of education and research: 1.3 on further education of employees of schools and educational institutes, 2.3 on human resources in research and development and 3.2 on support of further education offer. In area 1.3 there is one activity determined for education of teachers, tutors, management staff and organisational personnel at schools and other educational and consultancy centres engaged in the area of specialization education and education for sustainable development. However, a substantial of the area 1.3 (3.3 billion CZK, i.e. about 130 MEUR) should be more than sufficient to also cover needs in sport. Especially, as such support should be very limited as such specific need is not mentioned in the SWOT analysis of the programme; neither was it indicated in the last three years of the programme implementation.

In addition, the content of the project does not have anything in common with modernisation of education or increasing competences of citizens. Support of physical culture and sport activities and engaging children/citizens into collective sports is not an objective of the programme and it can not be eligible expenditure.

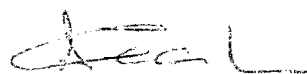
2. The project has a significant financial allocation (650 million CZK, i.e. about 26 MEUR) which is not explained and hardly corresponds to the objectives and expected results of the project as described. Moreover, there is no financial plan in the project proposal to allow a proper assessment of expenditures; activities are not described in detail.
3. The largest part of the budget (53 %) is planned for analyses, background documents and public relations (TV spots) which is simply not acceptable as the main recipient of the ESF funds would be media companies and experts, not people. Only 15 % is proposed for education of trainers, instructors, leaders (teachers are not mentioned at all and it concerns only very limited part of population) and 18 % for consultancy for citizens (it is not clear at all what this can mean).

I can imagine all implications and problems this brings for the ministry and the managing authority, but taking into account the delays your programme still faces and short time available for the preparation and implementation of possible new projects, we hardly see any other realistic option.

I would like to underline the seriousness of current situation and limited time available to act. That is why I send a copy of this letter also to the Ministry for Regional Development as a structural funds coordinator in the Czech Republic and to the Ministry of Finance as certification and audit authority as both authorities should assist you in assessing the situation (among others the eligibility of the planned projects should be verified by the national authorities, our auditors were alerted in any case) and taking appropriate measures.

Let me finish expressing my personal persuasion that this programming period and the significant allocation for your programme give your country a great opportunity to support the modernisation of the Czech education system which may not to be repeated in future. It is up to all of us but especially to the national authorities to ensure using this opportunity in the best way.

We remain at your disposal and we are ready to discuss your proposal at your best convenience to avoid any further unnecessary delay.



Aurélio Cecílio  
Head of Unit

Annex: Detailed comments on OKNO and Sport projects

Copy: Mr Vít Šumpela, Head of the National Co-ordination Authority department  
Mr Lubomír Rendla, Head of the Paying and Certification Authority department  
Mr Václav Štraser, Head of the Audit Authority department  
Mr Jiří Palán, Head of Financial Unit, Permanent Representation of the Czech Republic to the European Union

Mr Mark Schelfhout, Head of Audit Unit, DG Employment