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FACTORS OF REGIONAL DISTRIBUTION OF EU SUPPORT TO NGOS PROJECTS IN THE CZECH REPUBLIC AND SLOVAKIA

LUCIA JOHANESOVÁ[1]

Abstract: *The EU provides technical and legislative support for creating good conditions for civil society organizations and funding opportunities for this sector within countries. A significant contribution is visible in the CEE countries, mainly in the states of the Visegrad group, that are the most active. Moreover, Slovakia and the Czech Republic have the highest number of NGOs per inhabitant in the CEE region. The main aim of this research paper was to analyse factors explaining regional distribution differences of the EU support to the NGOs projects in the Czech Republic and Slovakia in the period 2014-2020. Regional distribution of EU funding to the Czech Republic and Slovakia is affected by EU rules and objectives stated in the EU or national strategic documents. Based on this analysis, regional distribution of EU funding to NGOs projects is allocated to regions with lower tertiary-educated population share, lower per-capita GDP and lower unemployment rate. Both countries have allocated EU funding to NGOs projects mainly focused on human capital (Slovakia and the Czech Republic) and building-up of infrastructure as well (Slovakia). Regional distribution of EU funds has been impacted in the Czech Republic by interaction of quality of government and regional autonomy that supports better management of EU funding and local policies related to supported NGOs projects.*

Keywords: *CEE countries, NGOs, regional development, Visegrad countries, EU funding*

JEL Classification: H52, J11, N14

[1]Ing. Lucia Johanesová, University of Economics in Bratislava, Slovak Republic, e-mail: lucia.johanesova@euba.sk, https://orcid.org/0009-0006-3652-2523

1 Introduction

Central and Eastern European (hereinafter 'CEE') countries have been facing economic, demographic and cultural transition after the 1990s' (De Melo et al., 2001; Perlitz et al., 2010). The development of civil society was aligned with the necessity to apply democratic principles. Moreover, the development of economies, mainly supported by various funding programmes, was accompanied by the improvement of human capital. This change has been mainly affected by investments in tertiary education (De Melo, 2001). The development of human capital brought improvements in social capital which is known as 'institutions and formal organizations' (Skidmore, 2001) or 'social trust, norms, and networks' (Putnam, 1993). Therefore, social capital is the basis for civil society's creation. The understanding of civil society varies across countries. In the context of CEE countries, mainly the Visegrad countries, civil society includes political parties, churches, charities, non-profit organizations and non-governmental organizations (hereinafter 'NGOs'). Various forms of NGOs include interest groups, pressure groups, professional organizations, voluntary organizations, and civic associations, as described in the literature (Martens, 2002) and operating without governmental ownership.

Development of civil society in CEE countries has been impacted by foreign institutions which provided either technical and legislative assistance, or financial support such as the EU or USAID[2] (Cox, 2000). However, the historical and cultural context of CEE countries affected their further evolution. The Visegrad countries made significant progress due to EU enlargement and membership opportunities (Meyer et al, 2019). The Balkan, or the countries of the former Socialist Federal Republic of Yugoslavia improved the situation for civil society organizations, however, they are not progressing as much as the Visegrad countries. A similar situation can be observed in the Baltic countries and Ukraine when considering employment and the number of organizations in the civil society sector (Meyer et al, 2019). Focusing on the most active CEE countries, there are differences in to the number of NGOs in a country relative to the number of citizens. The highest number of NGOs per capita (5.447 mil.) is in Slovakia (71k NGOs), followed by the Czech Republic with 10.51 million inhabitants and 119k NGOs. These two countries had a common historical evolution, moreover they entered the EU in 2004 and had available financial resources from the EU enlargement procedure,

[2] United States Agency for International Development

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or nowadays from the EU membership funds. The EU plays a significant role in civil society development across all EU countries. The EU provides technical and legislative support for creating **good conditions** for civil society organizations while also offering funding opportunities for this sector (Meyer et al, 2019). As the EU strives for democratic principles and the nurturing of civil society, its help in the enlargement procedure of potential member states plays a crucial role (Meyer et al, 2019). Moreover, the strategies and goals of the EU focus on NGOs that provide public services in many member countries and participate in the public policy-making. Therefore, the development of civil society is included in the goals of the EU and its funding opportunities. The programming period 2014-2020 includes NGOs in public-policy making and the implementation of EU funds activities in Partnership Agreements and the European strategy 2020. Therefore, NGOs have been obliged to be funded from the EU funds in order to minimize regional disparities or solve specific problems within particular region. EU funds are allocated based on the needs and strategies of regional governments. However, there are criteria of regional distribution focusing on the regional disparities such as poverty, income, GPD per capita in region or unmet needs of the communities. Despite EU intervention in ensuring the fair distribution of **funding**, financial resources are distributed to Member States, which then allocate the provided funds based on their own strategies (Charron, 2016). For this reason, there are differences across countries with similar backgrounds.

As previous studies focus on the whole of CEE countries in their analysis, or on specific countries without a subsector analysis, the analysis of NGO projects and their regional distribution factors has been identified as a research gap which could provide an interesting view into Slovakia and the Czech Republic, which have the highest numbers of NGOs per inhabitant. The aim of this research paper is to analyse the regional distribution of total support per capita for the NGOs projects in the Czech Republic and Slovakia within the period 2014-2020. This research paper contains a literature review on EU support and regional distribution, including a focus on EU support and NGOs in the Czech Republic and Slovakia in the programming period 2014-2020, as well as methodology, and results that introduce the factors influencing regional distribution of EU support for NGOs projects in the Czech Republic and Slovakia. The last part of this paper covers the discussion and conclusion summarizing the most important findings.

2 EU support and regional distribution

The purpose of EU support is to focus on minimizing differences across EU regions and their regional disparities. The main aim is to strengthen EU member states in the European and global context of market competition. The eligibility for EU support relates to direct EU membership or the accession procedure of potential EU member states. Focusing on the regional distribution of EU support, national and EU governments can distinguish between developed and developing regions within a country. As regions are open economies that may differ from national economic characteristics (Faggian and McCann, 2016), it is important to monitor regional characteristics to assign an appropriate amount of EU support to regions. EU funds are assigned to regions in need of economic and social development improvement. Thus, regional policy plays a significant role in development for various reasons. Regional policy is the second largest area related of provided funding because the majority of financial resources have been assigned to Objective 1 regions, with GDP per capita below the 75% threshold compared to the EU average (Pamer, 2023). Secondly, the EU allocates financial support to the regions where it is necessary to minimize disparities and meet EU objectives, but EU funding is provided at the national level, not directly to regions (Pamer, 2023). The EU objectives are implemented through the European strategy at the EU level. However, every Member State sets up its own development goals and agenda in the Partnership Agreement document. As the Member States receive EU funding, they distribute the EU support according to the objectives outlined in the Partnership Agreement and selection criteria such as per-capita GDP and the unemployment rate (Charron, 2016).

The literature considers it important to include also other selection criteria for regions as factors in determining eligibility to receive EU funding. Charron (2016) pointed out that the quality of government and regional autonomy are factors to consider as protection mechanism for EU funding sources. Highly centralized countries, particularly those with regions of low autonomy, experience a lower risk of failing to absorb funds due to a greater transfer of funds to weaker regions, because the central government is usually responsible for the allocation of EU funds (Charron, 2016). On the contrary, Member States with highly autonomous regions represent a higher risk in terms of regional responsibility for EU fund absorption (Charron, 2016). Due to this, it is important to consider regional autonomy together with the quality of

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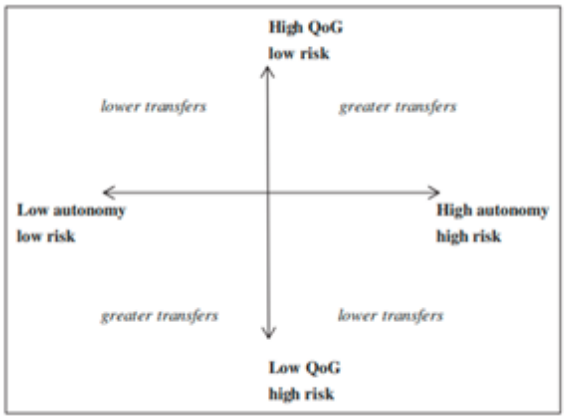
government (Figure 1). Aspects of political institutions, such as corruption or the patronage system, interacts with regional autonomy in determining regional transfer size (Charron, 2016). Due to this reason, Charron (2016) applies the European Government Quality index that measures quality of governance in European countries and their regions based on factors such as rule of law, efficiency, accountability, transparency and public trust. He also applies the Regional Autonomy index, which measures a region's level of political autonomy based on political, economic, cultural, legal, and administrative autonomy factors. Charron's analysis (2016) shows that regions with both high levels of government quality and autonomy tend to receive on average higher per capita transfers of funding, because they maintain constant levels of economic development, unemployment, or other political factors. On the other hand, it is more complicated for regions with below-median levels of autonomy (Charron, 2016). Usually, regions with higher government quality are more resistant to corruption or bureaucracy, so they can absorb larger transfers of funding to fulfil objectives and make effective use of the EU funds (Charron, 2016).

Figure 1: Summary of Interaction Effect and Expected Level of Structural Transfer



Source: Charron (2016).

Previous studies have also applied different approaches to analysing EU funds' regional distribution. Kemmerling and Bodenstein (2006) pointed out poverty in regions receiving more funding; however, poverty is not a suitable nor a sufficient indicator of the funding transfer level. This is because the EU has

an interest in allocating greater transfers to strong regions with resources and expertise to manage these EU funding sources successfully (Dellmuth, 2011). Regional distribution of EU support and its factors are important to analyse alongside effectiveness and efficiency ex-post, because the EU can better set up criteria for regions and control mechanisms for EU support usage in the Member States (Dellmuth, 2011; Charron, 2016; Pamer, 2023).

Medve-Balint's (2018) analysis of the Southern and CEE European countries, that have received EU support from 2000 up to the 2020 programming period, shows no satisfactory results. CEE countries are still lagging behind Western EU countries (per-capita GDP is still at 66% of that of the most developed members) and regional disparities still occur across Southern and CEE countries (Medve-Balint, 2018). These findings suggest that these member states probably allocate EU funding to underperforming projects, do not follow the objective stated in the partnership agreements, and/or that supported projects do not reflect regional needs (Medve-Balint, 2018).

2.1 EU support and NGOs in Czech Republic and Slovakia in the period 2014-2020

The EU distributed €20.5 billion for Slovakia and €34 billion for the Czech Republic. Special attention to both countries' regions has been given in strategic documents such as the European Strategy 2020 and Partnership Agreements 2020 for the Czech Republic (CZK) and Slovakia (SVK) separately. The EU Strategy 2020 has advised focusing on less developed regions. In the case of the Czech Republic, this includes regions such as Střední Čechy, Jihozápad, Severozápad, Severovýchod, Jihovýchod, Střední Morava, and Moravskoslezsko. For Slovakia, priority has been given to Západné Slovensko, Stredné Slovensko, and Východné Slovensko (EC,2014). However, the European Strategy 2020 has primarily focused on regional development. The aims related to NGOs and civil society development have been incorporated in the partnership agreements. The Partnership Agreement of Slovakia (2014) included the involvement of NGOs in areas such as support of the social economy; participation in the preparation and provision of public services by the government and municipalities level. NGOs' participation has been primarily expected in areas such as women's rights, gender equality or employment services to ensure participation of minorities at highest risk of social exclusion in the labour market. The aim of the Czech Partnership

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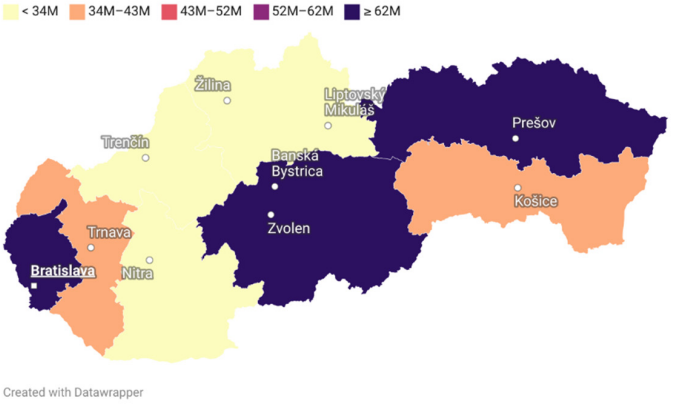
Agreement (2014) was to involve NGOs in the preparation of policies and program documents, in the cooperation with local governments, and in projects focused mainly on areas such as employment and education, social and health services, R&D, social inclusion and prevention.

The EU support was allocated for 1,279 NGO projects in Slovakia in the programming period 2014-2020. The highest number of NGO projects (240) was supported in Bratislavský kraj, followed by 234 NGO projects in Prešovský kraj and 199 NGO projects in Banskobystrický kraj. The lowest number of NGO projects (93) was supported in Trnavský kraj, followed by Trenčianský kraj (101) and Žilinský kraj (116). Considering the support contribution to the NGO projects in Slovakia, the average support per project was €302,428.32 and the median support per project was €184,308.18. The Czech Republic allocated EU support for 5,894 NGOs projects in the period 2014-2020. The highest number of supported NGO projects was in Jihomoravský kraj (900), followed by 854 NGO projects in the Hlavní město Praha and 721 NGO projects in Stredočeský kraj. The smallest number of NGO project across all Czech regions was in Karlovarský kraj (141 NGO projects), followed by Kraj Vysočina (200) and Plzeňský kraj (216). The Czech Republic allocated an average support per project of €183,925.15 and median support per project in the amount of €114,280.69.

Considering the focus of NGO projects and total support allocated in the Czech Republic, 32.14% of the total support was allocated to employment support activities, 15.52% was aimed at ensuring equal availability of pre-schooling, primary, and secondary education, and 15.12% was aimed to social inclusion and poverty. Additionally, 9% was allocated to the improvement of public services and the quality of life for citizen, and 8.75% was used for the local development of communities. The highest share of total support (47.64%) for the NGO projects in Slovakia was aimed at employment support, building new work possibilities and the support of minority employment. The second largest portion of total support for NGO projects (34.73%) was focused on building infrastructure in the field of social services and the local development of communities.

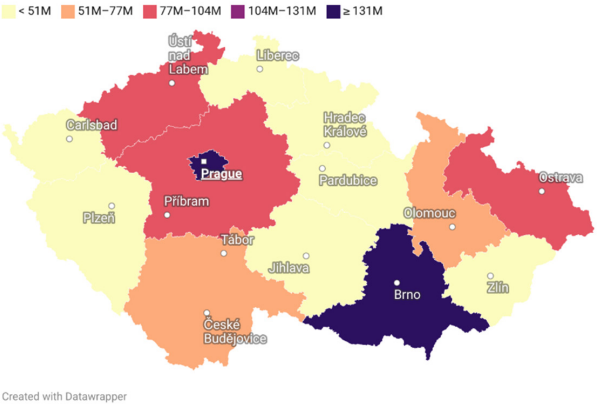
Figure 2: Total Support of the NGOs Projects per NUTS 3 in Slovakia



Source: own processing based on Open data EU.

The EU requires a Member State to contribute to all EU funded projects; therefore, it is important to focus on the total support for NGO projects which represents the sum of both EU and national support. Total support for NGO projects (Map 3) amounted to €357,350,510.18 EUR in Slovakia for all NGO projects in the period 2014-2020. The highest amount of total support for NGO projects was approved for Prešovký kraj with total amount of €71 million, followed by Banskobystrický kraj (€65.9 million) and Bratislavský kraj (€62.6 million). Trenčianský kraj received the lowest amount of total support for the NGO projects (€24.1 million), followed by Nitrianský kraj (€30.8 million) and Žilinský kraj (€31.2 mil).

Figure 3: Total Support of the NGOs Projects per NUTS 3 in the Czech Republic



Source: own processing based on DotaceEU.cz

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3 Methodology

The main aim of this research paper is to analyse the factors explaining the regional distribution differences of EU support for NGO projects in the Czech Republic and Slovakia in the programming period 2014-2020. Data used in the analysis has been taken from the Registers of NGOs, available at Finstat.sk (information about NGOs in both countries), Dotace.eu (EU-supported NGO projects in Czech Republic), and data.gov.sk (EU-supported NGO projects in Slovakia). The dependent variable is the total amount of support per capita (Charron (2016), Medve-Balint (2016), Dellmuth (2011)). This dependent variable was calculated as the sum of the national and EU portion, then divided by the population size in a region. The interaction between the European Government Quality index (EQI) and the Regional Autonomy Index (RAI) has been chosen as an independent variable based on literature recommendations by Charron (2016) and Medve-Balint (2018). Other independent variables such as GDP per capita (Dellmuth, 2011; Charron, 2016; Medve-Balint, 2018), unemployment rate (Dellmuth, 2011; Charron, 2016; Medve-Balint, 2018), poverty rate (Dellmuth, 2011) and the tertiary-educated share of the population (Faggian and McCann, 2019) have been identified and downloaded from EUROSTAT at the NUTS 3 level.

Due to normality issues, the variables of the total amount of support per capita and GDP per capita must be recalculated using logarithmic values. The correlation matrix reveals that all control variables cannot be used in the same model; therefore, two versions of the econometric models were constructed:

$$\log TO_{pp} = \beta_0 + \beta_1 \, x \, EQIxRAI + \beta_2 \, x \log GDP_{pp} + \beta_3 \, x \, unempl\_r + \varepsilon_x \qquad (1)$$

$$\log TO_{pp} = \beta_0 + \beta_1 \, x \, EQIxRAI + \beta_2 \, x \, poverty\_r + \beta_3 \, x \, educ\_r + \varepsilon_x \qquad (2)$$

in which GDPpp is GDP per capita, unempl_r means the unemployment rate, poverty_r represents the poverty rate and educ_r is the tertiary-educated population share. Both versions of the models will be performed overall for both countries' regions and separately for Slovakia and the Czech Republic as well.

The analysis contains a dataset for the period 2014-2022, which represents a

panel dataset. Despite the Breusch-Pagan test for random effects confirming the possibility of random effects in the dataset, the Hausman test denied random effect model as an option and confirmed the suitability of the fixed effect model. The same approach was used by Charron (2016).

4 Factors explaining the regional distribution differences of EU support to the NGOs projects in the Czech Republic and Slovakia

Results of the analysis reveal factors that explain the regional distribution differences of EU support for the NGO projects in the Czech Republic and Slovakia in the programming period 2014 – 2020.

Table 1: Factors of regional distribution differences in total support per capita to NGOs projects in Czech Republic and Slovakia in programming period 2014-2020.

VARIABLES	(1) ALL	(2) ALL	(3) SK	(4) SK	(5) CZ	(6) CZ
EQI x RAI	0.142*	0.177**	-0.0306	-0.0180	0.247**	0.220**
	(0.0810)	(0.0767)	(0.151)	(0.159)	(0.0950)	(0.0904)
Tertiary-educ. population share	-0.300***		-0.149**		-0.450***	
	(0.0541)		(0.0612)		(0.0812)	
Poverty rate	-0.108		-0.378***		0.0194	
	(0.0821)		(0.115)		(0.104)	
Per-capita GDP (logged)		-10.89***		-12.33***		-10.95***
		(1.202)		(3.252)		(1.369)
Unemploym. rate		-0.603***		-0.603***		-0.613***
		(0.104)		(0.183)		(0.133)
Constant	10.35***	110.7***	9.938***	125.0***	12.13***	110.7***
	(1.533)	(12.05)	(2.142)	(32.51)	(2.124)	(13.66)
Observations	178	178	55	55	123	123
R-squared	0.184	0.360	0.323	0.253	0.227	0.405
Number of NUTS3 regions	22	22	8	8	14	14

Notes: Standard errors in parentheses, *** p<0.01, ** p<0.05, * p<0.1

Source: Author.

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Overall, the analysed regions of the Czech Republic and Slovakia are described in Model 1 and Model 2 (Tab. 1). Both models reveal that the interaction between the Quality of Government and Regional autonomy indexes has a significant and positive relationship with total support per capita in regions. Model 1 shows that an increase of interaction between quality of government and regional autonomy increases by one lead to an increase in total support per capita by 0.142%. Model 2 indicates an increase of total support per capita for NGO projects by 0.177%. Both countries tend to allocate more total support per capita to NGO projects in regions with a lower share of the tertiary-educated population (β = -0.300%, $p<0.05$). Additionally, the Czech Republic and Slovakia have approved higher total support per capita to NGO projects in regions with lower per-capita GDP (β =- 10.89%, $p<0.01$) and a lower unemployment rate (β = -0.603%, $p<0.01$).

Analysis of NUTS 3 regions in **Slovakia** has been performed in the Model 3 and Model 4 (Tab. 1). Both models reveal that the interaction between the Quality of Government and Regional Autonomy indexes does not have any significant relationship with total support per capita for NGO projects in Slovak regions. Slovakia has distributed higher total support per capita to NGO projects in regions with a lower tertiary-educated population share (β = -0.149%, $p<0.05$) and a lower poverty rate (β = -0.378%, $p<0.01$) (Model 3). According to Model 4, Slovakia has allocated a higher amount of total support per capita to NGO projects in regions with a lower per-capita GDP (β = -12.33%, $p<0.01$) and a lower unemployment rate (β = -0.603%, $p<0.01$).

Czech NUTS 3 regional analysis has been performed in the Model 5 and Model 6 (Tab. 1). Both models reveal that the interaction between the Quality of Government and Regional Autonomy indexes has a significant and positive relationship with total support per capita in the Czech regions (β = 0.247%, $p<0.05$ in Model 5; β = 0.220%, $p<0.05$ in Model 6). The Czech Republic has distributed a higher amount of total support per capita to the NGO projects in regions with a lower tertiary-educated population share (β = -0.450, $p<0.01$). According to Model 6, the Czech Republic has allocated a higher amount of total support to NGO projects in regions with a lower per-capita GDP (β = -10.95%, $p<0.01$) and lower unemployment rate (β = -0.613%, $p<0.01$).

5 Discussion

The main aim of this research paper is to analyse the factors explaining the regional distribution differences of EU funds support for NGO projects in the Czech Republic and Slovakia in the programming period 2014-2020. NGOs play an important role in the economy due to their participation in public policies and the provision of public services that the government cannot handle. For this reason, they are involved in EU and Member State strategic documents on development and funding opportunities. As EU funding requires the fulfilment of specific criteria for financial allocation (per-capita GDP and unemployment rate) as a protection against fraud (Dellmuth, 2011; Charron, 2016; Pamer, 2023), previous studies have used other factors in regional distribution to compare the suitability of allocated funds for problematic regions and their development strategies, such as the tertiary-educated population share (Faggian and McCann, 2016), poverty rate (Kemmerling and Bodenstein, 2006; Charron, 2016), quality of government (Charron, 2016) and regional autonomy (Charron, 2016).

The analysis of the Czech Republic and Slovakia has shown that total support per capita for NGO projects is higher in regions with a higher interaction between quality of government and regional autonomy, which confirmed Charron's (2016) theory that greater transfers of support occur in regions with higher quality of government and lower autonomy. Both countries have a centralized distribution of EU funds, and the central government is responsible for their allocation to the regions. The focus on per-capita GDP and unemployment rate as the main factors in regional distribution of EU support brought contradictory results. Per-capita GDP is a factor that decreases the total support per capita for NGO projects, which confirms previous studies (Dellmuth, 2011; Charron, 2016; Medve-Balint, 2018; Pamer, 2023). EU support is allocated to regions with lower per-capita GDP to improve their development. On the contrary, the unemployment rate is a factor that decreases the total support per capita for NGO projects, which contradicts previous studies (Dellmuth, 2011; Charron, 2016; Medve-Balint, 2018). This result may be caused by a delay in social capital development (Skidmore, 2001) which requires a properly built human capital base, represented by a higher tertiary-educated population share in regions.

The separated analysis of Slovakia shows that the interaction between the

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quality of government and regional autonomy does not play a key role in the EU support distribution. The Slovak government has highly centralized the EU support distribution to implement changes and support projects aligned with the Slovak strategy. However, the analysis reveals that NGO projects are supported in regions with a lower tertiary-educated population share (Dellmuth, 2011; Charron, 2016; Medve-Balint, 2018; Pamer, 2023) to secure the development of human capital. As human capital is the basis for economic growth (per-capita GDP), the Slovak government has supported regions with a lower per-capita GDP (Dellmuth, 2011; Charron, 2016; Medve-Balint, 2018) and a lower unemployment rate. This combination may explain why funds are used for projects focused on human capital and the building of infrastructure as well. The poverty rate is an important factor in EU funding distribution, which contradicts the previous study by Kemmerling and Bodenstein (2006).

The analysis of the Czech Republic shows that the interaction between the quality of government and regional autonomy plays an important role in EU support distribution (Charron, 2016). Despite the fact that the Czech Republic is centralized as well, the central government wants to ensure proper administration of EU funded projects; therefore, funding transfers are assigned to regions with higher quality of regional and local governments. The Czech Republic has supported NGO projects in regions with a lower tertiary-educated population share (Dellmuth, 2011; Charron, 2016; Medve-Balint, 2018; Pamer, 2023) to increase the development of human capital. Moreover, NGO projects have been funded in regions with a lower per-capita GDP (Dellmuth, 2011; Charron, 2016; Medve-Balint, 2018; Pamer, 2023) and lower unemployment rate. These results explain the focus of NGO-supported projects on employment support activities, and the social inclusion and availability of pre-schooling, primary and secondary education, as well as other goals aimed at the development of human and social capital.

This research paper has some limitations as well. The first limitation is caused by the lower number of regions in Slovakia, which may not be enough for this analysis. Therefore, the analysis could be done at a district (LAU1) level, or extended to other countries. An improvement in analysis can be achieved by the usage of political factors – such as the orientation of governmental politics (left or right), or a comparation of the orientation of regional politicians with government politicians, which is proposed in Dellmuth (2011).

6 Conclusion

The main aim of this research paper was to analyse the factors explaining the regional distribution differences of EU support for NGO projects in the Czech Republic and Slovakia in the period 2014-2020.

NGOs represent an important player in civil society and are public policy contributors as well. The development of NGOs and civil society as a whole has been supported by EU technical and legislative assistance and funding in the EU Member States. The most active countries of CEE, Visegrad Group members – Slovakia and the Czech Republic, have been impacted by EU support during the enlargement process and membership periods.

The regional distribution of EU funding in the Czech Republic and Slovakia is affected by EU rules and objectives stated in EU or national strategic documents. Based on this analysis, the regional distribution of EU funding for NGO projects is allocated to regions with a lower tertiary-educated population share, lower per-capita GDP and a lower unemployment rate. Findings on tertiary-educated population share and per-capita GDP confirm previous studies (Dellmuth, 2011; Charron, 2016; Medve-Balint, 2018). However, the results on unemployment rate contradict previous findings (Dellmuth, 2011; Charron, 2016; Medve-Balint, 2018). Both countries have allocated EU funding to NGO projects mainly focused on human capital (Slovakia and the Czech Republic) and the building of infrastructure as well (Slovakia). The regional distribution of EU funds has been impacted in the Czech Republic by the interaction between quality of government and regional autonomy, which supports better management of EU funding and local policies related to supported NGO projects. This analysis shows that the development of civil society in these countries still needs additional funding. It confirms the theory of Skidmore (2001) about the delayed development of social capital compared to economic development. Due to these results, governments and the EU should focus on further analysis of NGO projects and the status of civil society.

The results of this analysis open space for the analysis of other European countries and their NGO projects funded by the EU from the perspective of effectiveness and efficiency. A second option for future research is the analysis of other entities (public bodies and enterprises) supported by EU funding and their results to compare them with NGO projects funding.

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Appendix

Table 2: Correlation matrix

	TOSpp	EQI	RAI	GDPpp	povertR	unemplR	educR
TOSpp	1						
EQI	0.0549	1					
RAI	0.1228	0.2422	1				
GDPpp	0.0596	0.1277	0.6891	1			
povertR	-0.0875	-0.3401	-0.5256	-0.5416	1		
unemplR	-0.1861	-0.5284	-0.4809	-0.4243	0.6336	1	
educR	0.0612	0.0868	0.5255	0.9059	-0.4295	-0.2462	1

Model 1

	TOSpp	EQIxRAI	GDPpp	unemplR
TOSpp	1			
EQIxRAI	0.033	1		
GDPpp	0.0596	0.0186	1	
unemplR	-0.1861	-0.4587	-0.4243	1

Model 2

	TOSpp	EQIxRAI	povertR	educR
TOSpp	1			
EQIxRAI	0.033	1		
povertR	-0.0875	-0.2606	1	
educR	0.0612	0.0023	-0.4295	1

Table 3: VIF test

Variable	VIF	1/VIF
unemplR	1.62	0.616697
EQIxRAI	1.33	0.7518
GDPpp	1.28	0.780767
Mean VIF	1.41	

Variable	VIF	1/VIF
povertR	1.34	0.74816
educR	1.25	0.802667
EQIxRAI	1.09	0.917364
Mean VIF	1.22	

Table 4: Breusch and Pagan Lagrangian Multiplier Test for Random Effects

Model 1

lTOSpp[nuts_id,t] = Xb + u[nuts_id] + e[nuts_id,t]

Estimated results:

	Var	SD = sqrt(Var)
lTOSpp	1.880863	1.371445
e	1.335126	1.155477
u	0	0

Test: Var(u) = 0

chibar2(01) = 0.00

Prob > chibar2 = 1.0000

Model 2

lTOSpp[nuts_id,t] = Xb + u[nuts_id] + e[nuts_id,t]

Estimated results:

	Var	SD = sqrt(Var)
lTOSpp	1.880863	1.371445
e	1.655536	1.286676
u	0	0

Test: Var(u) = 0

chibar2(01) = 0.00

Prob > chibar2 = 1.0000

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Table 5: Hausman Test

Model 1

	Coefficients (b) fixed	(B) random	(b-B) Difference	sqrt(diag(V_b-V_B)) Std. err.
lGDPpp	-10.5656	-.2712043	-10.2944	1.151287
unemplR	-.6443228	.0048386	-.6491614	.0931319

b = Consistent under H0 and Ha; obtained from xtreg.
B = Inconsistent under Ha, efficient under H0; obtained from xtreg.

Test of H0: Difference in coefficients not systematic

chi2(2) = (b-B)'[(V_b-V_B)^(-1)](b-B)
= 82.08
Prob > chi2 = 0.0000

Model 2

	Coefficients (b) fixed	(B) random	(b-B) Difference	sqrt(diag(V_b-V_B)) Std. err.
EQIxRAI	.141708	-.0264128	.1681208	.0713498
povertR	-.1079089	-.0396121	-.0682968	.0756304
educR	-.2995992	-.0075501	-.2920491	.0518088

b = Consistent under H0 and Ha; obtained from xtreg.
B = Inconsistent under Ha, efficient under H0; obtained from xtreg.

Test of H0: Difference in coefficients not systematic

chi2(3) = (b-B)'[(V_b-V_B)^(-1)](b-B)
= 35.60
Prob > chi2 = 0.0000