

Assessment of draft Partnership Agreement setup in the areas of environment and civil society partnership in the Czech Republic

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The purpose of this paper is to critically analyse alignment of the draft Partnership Agreement,[1] as presented by the Ministry of Regional Development to the Government of the Czech Republic in October 2020, with objectives of the European Union Green Deal in the area of climate neutral transformation and provide recommendation on improvements of environmental performance of the ESIF funding in the Czech Republic.

[1] Ministry of Regional Development: Current draft Partnership Agreement (October 2020):

<https://www.dotaceeu.cz/getattachment/Evropske-fondy-v-CR/KOHEZNI-POLITIKA-PO-ROCE-2020/s/Verejna-konzultace-k-prvnimu-navrhu-Dohody-o-partn/Dohoda-o-partnerstvi-2021-2027-%E2%80%93-rijen-2020.pdf.aspx?lang=cs-CZ>

1. Policy objectives

Policy objective 1: A smarter Europe - innovative and smart economic transformation

Expected results to be delivered by the Partnership Agreement in this PO do not include any specific reference to low-carbon technologies or circular economy. In the justification of selection of supported specific objectives, the PA includes a vague formulation “Support for digital and green transformation” as one of the reasons for this PO. However, among the expected results to be delivered by the PO1, none is specifically related to environmental sustainability, climate neutral transition or circular economy.

The Partnership Agreement in this area does not provide any specific guidance on the areas of intelligent specialization of supported research and innovation. In this regard, the PA refers to thematic priorities of the National Research and Innovation Strategy RIS3.¹ Recent strategy was updated in 2018, new RIS3 is under preparation.

Current RIS3 strategy fails to drive research and innovation towards technologies enabling the climate neutral transformation and circular economy. It even repeats a many times falsified myth that in the Czech Republic, geographic, climate and geological conditions are unfavourable for renewable energy other than biomass compared to other EU countries. This claim proves ridiculous, looking at renewable energy installations in neighbouring regions such as Bavaria or north of Austria. In the identification of intelligent specialization domains in the RIS3, research in renewables and accumulation is put on a par with research in energy production from coal.² Technologies enabling circular economy or recycling are not even approached as a separate research focus or area. In further preparation of the PA and the OP Technology and Competitiveness (OP TAC), it is necessary to ensure that research and innovation focus do not miss the strategic prioritisation of climate neutral and circular economy technologies.

The PA also lacks any guidance on mainstreaming climate and environmental sustainability into technologies and business practices of the supported projects.

These failures stand in stark contrast with the EU Green Deal area of action 2.1.3. *Mobilising industry for a clean and circular economy*. The Partnership Agreement shows formal adherence to the thematic concentration to green economy, but in reality, there is no specific plan or strategy for climate neutral and circular economy research, innovation and entrepreneurship. We could conclude that in the area of innovative and smart economic transformation, the

1 Ministry of Industry and Trade: National Research and Innovation Strategy for Intelligent Specialization of the Czech Republic (RIS3 strategy)

<https://www.mpo.cz/cz/podnikani/ris3-strategie/dokumenty/dokumenty-k-ris3-strategii-pro-rok-2019---242942/>

2 Pg. 159 of the RIS3

Partnership Agreement proposed by the Czech government fails to contribute to the common EU objectives of the Green Deal.

The RIS3 strategy points to the regulatory and administrative complexity as to one of the problems restricting the R&D activity especially of the SMEs. While the Partnership Agreement includes support for digitalization of the economy as well as of the administration, the digitalization itself does not necessarily mean simplification. There are examples when digitalization actually increased the complexity and administrative burden, such as the EU funds administration IT system (MS2014+). It is necessary to demand verifiable simplification as a key feature of any supported digitalization project in the public sector.

Policy objective 2: A greener, low-carbon Europe

According to the Partnership Agreement, this objective is justified by the need to contribute to the fulfilment of the National Climate and Energy Plan 2030 (NCEP)³ targets in energy efficiency, renewable energy and GHG emission reduction. However, in a wider perspective of the Paris Agreement and the EU 2050 decarbonisation pathway, the Czech NECP is not ambitious enough in terms of decarbonisation goals and renewable energy shares. It is therefore necessary to increase the ambition of the Partnership Agreement as the investments in the 2021 – 2027 period will be key element in the energy transformation towards decarbonisation, taking into account that the country is set to phase out coal in 2038.

Energy efficiency

We must welcome the PA formulation “in the frame of realistic possibilities, highest energy efficiency standards will be applied in all relevant CP activities”. In this regard, it is necessary to provide a detailed guidance as on what are the highest energy efficiency standards in various sectors, especially buildings, industry and transport vehicles and set eligibility of EU fundings exclusively for investments in line with these standards. It is necessary to implement energy efficiency both as a horizontal principle of all relevant operations and design tangible methods of implementation of the principle.

The Czech Republic has seriously failed in the delivery of the energy savings set by Article 7 of the Energy Efficiency Directive 2012/27/EU. While the target was set to reach 153 PJ of cumulative energy savings in 2019, the Czech Republic achieved only 98 PJ⁴ (64 %). The country progressed poorly in energy efficiency despite the fact that in the OP Enterprise for Innovation and Competitiveness (OP EIC) only, more than €740 million were prepared for this purpose.

In 2018, the General Accounting Office examined the use of public funds for energy efficiency in the business sector and concluded that the absorption of subsidies for energy savings is slow and the process of approving applications is long. In the sector of buildings, the definition

3 Ministry of Industry and Trade:

https://ec.europa.eu/energy/sites/ener/files/documents/cs_final_necp_main_en.pdf

4 Ministry of Industry and Trade: 8. REPORT ON PROGRESS TOWARDS NATIONAL ENERGY EFFICIENCY TARGETS IN THE CZECH REPUBLIC, 2020

of the nearly zero energy building required by the EED was adopted with little ambition, not pushing the investors to use the best available technologies.

For the period of 2020 – 2050, a national Long term Building Renovation Strategy was adopted in June 2020 and its Optimal scenario was chosen to determine the efficiency targets, policies and economic measures.

The Optimal Scenario measures stretch beyond existing policies. It envisages the introduction of new measures particularly in the field of public and commercial buildings. The depth of renovations is expected to increase, but without increasing the number of renovations itself. By 2050, it reduces consumption by about 89 PJ (24%) compared to current state.

A Hypothetical Scenario⁵ is included in the Strategy as well, assuming that the vast majority of buildings (85%) will be renovated deeply, only buildings where this is not technically possible will remain in shallow or medium renovations. The increase of renovation depth will be happening gradually from 2017 to 2030. The annual rate of renovations is gradually increasing, reaching the maximum of double the current state around 2025. This would mean each building is renovated in less than 30 years. This increase in the depth and rate of renovations will lead to a reduction in energy consumption by 166 PJ (44%) by 2050.

A source study⁶ by industrial association Chance for Buildings underlying the Long term Strategy analysed also the barriers preventing use of public support for energy renovations. In the housing sector, major barrier in using financial support for the renovation is the complexity of the subsidy administration as well as the effort to avoid very difficult administration under the Building Act No.183/2006 Coll. In the commercial sector, major barrier is the necessity to adapt the renovation project to the condition of the support scheme, which often do not reflect the diversity of commercial buildings. In the public sector, the most important barrier is the complexity of the public procurement process.

While many different energy efficiency support programmes exist (with little coordination among them, adding to the complexity), they are not fully used. In order to increase the renovation rate, the study identifies three most important actions to be taken: awareness raising, capacity building for project preparation and simplification of administration. The policies should balance both - increasing the rate of renovations as well as their depth.

In the current text of the Partnership Agreement, energy efficiency is already playing a crucial role. In order to avoid repeating the experience from the previous programming period and utilize the energy savings potential, the PA needs to be substantially more specific. It is necessary to establish measurable targets for energy efficiency investments for OP Environment and OP TAC both in terms of finance and results. Taking into account the increase

5 National Long term Building Renovation Strategy is based on a study completed by industrial association Chance for Buildings. It is symptomatic of the lack of ambition of the Czech government in energy efficiency that same scenarios modelled in the study were renamed in the Renovation Strategy: Chance for Buildings scenario name: Ministry of Industry and Trade scenario name: Realistic Optimal Progressive Hypothetical, Hypothetical not included in the Strategy

6 Chance for Buildings: Long term Building Renovation Strategy in the Czech Republic <https://sanceprobudovy.cz/wp-content/uploads/2020/06/strategie-renovace-a-adaptace-budov-kveten-2021.pdf>

of the EU 2030 decarbonisation target, the targets should be in line with the Progressive Scenario (called Hypothetical in the Long Term Strategy). Distribution of funding in the PA must allow for financing of substantial increase of the renovation rate. The calls for projects must start as soon as possible avoiding a gap between the programming periods, simplify administration and integrate conditions of the various support programmes and increase its ambition in the definition of the nearly zero energy buildings.

Renewable energy

The Partnership Agreement rightly identifies that the share of renewable energy sources (RES) in the Czech Republic does not reach its full potential. Further growth of RES installations planned by the National Climate and Energy Plan⁷ is low, reaching only 22% share of RES on final energy consumption in 2030. The NCEP plans for only 600 MW of new wind capacity and 1893 MW of new photovoltaic capacity by 2030, while it mentions that these shares could be increased. Independent studies show that the potentials are substantially higher. Wind energy installed capacity potential, according to a moderate scenario in a study⁸ of the Institute of Physics of the Atmosphere reaches 3,1 GW. Solar installed power could reach among 5,5 GWp, estimated in a study by Energynautics consultancy to 8,9 GWp, a calculation⁹ by the Chamber of Renewable Energy Sources.

Just like the NCEP, the Partnership Agreement stresses the role of biomass to cover the increase in renewable energy. This squanders opportunities for rapid solar and wind power development. Currently, there is no operational support (feed-in tariff, green bonus, auctions) available for new renewable electricity sources. Current proposal of amended Act on Renewable Energy Support 162/2012 counts with operational support for renewables aimed at stabilising the internal return rate (IRR) of investments into renewables. The highest IRR is proposed for biomass and biogas, followed by hydro and wind sources. For solar power, no IRR support is proposed. Therefore, investment support available from the ESIF under the Partnership Agreement should be focused on the resources which enjoy zero or low operational support such as wind and solar.

The Partnership Agreement does not mention the support for community energy installations and schemes. Other EU financial sources, such as the Modernisation Fund, are currently planned to be used for large-scale renewable installation in the business sector. As the ESIF are aimed at SMEs and municipalities have a lot of experience with the use of Operational Programmes, it is necessary to focus the ESIF on the community energy.

The Country Specific Recommendations for Czechia issued by the European Commission in May 2020 quote: “Czechia’s National Energy and Climate Plan reports important investment needs to tackle successfully the climate and energy transition and move towards climate

7 Ministry of Industry and Trade: National Climate and Energy Plan
https://www.mpo.cz/assets/cz/energetika/strategicke-a-koncepcni-dokumenty/2020/1/Vnitrostani-plan-CR-v-oblasti-energetiky-a-klimatu_final.docx

8 Institute of Physics of the Atmosphere: Wind Energy Potential 2020
http://www.ufa.cas.cz/DATA/vetrna-energie/Potencial_vetrne_energie_2020.pdf

9 Chamber of Renewable Energy Sources: Czechia on the road to climate neutrality.
<https://www.komoraoze.cz/?fullpage=1&tema=11>

neutrality. This is particularly the case for the promotion of renewable energy resources, energy efficiency, infrastructure and parts of the transmission system.”

It is necessary for the Czech Republic to prepare proper regulatory environment in order to enable the disbursement of these financial resources. This is especially relevant for the energy communities, which are still not implemented in the national legislation.

In 2028, renewable sources build in the economic conditions of previous support scheme will cease to receive operational support. In case of biomass and biogas especially, this might lead to their closure. While they might enjoy from some kind of new support, it is most probable that risk of uncertainty and probably lower support may lead to reduction of renewable production even in that case.

Renewable energy targets to be achieved through the ESIF financing are not set in the Partnership Agreement, therefore it is impossible to evaluate the contribution to the overall national targets. Taking into account planned low contribution of the Czech Republic to the common EU efforts, European public support should serve as a leverage for higher utilization of the available solar and wind energy potentials. With the potential drop in renewable energy production from 2028 in mind, it is necessary to set high targets for renewables in the Partnership Agreement.

Smart grids and accumulation

While investments into the distribution and transmission grid should increase total capacity for connection of decentralised sources, it does not require these do be necessarily renewable. However, there are basically two options of decentralised generation installations: renewables and gas. Gas installations provide little contribution to decarbonisation of the energy sector and probably, they will not be eligible under the Taxonomy rules. Therefore, the investments into grids and smart elements must be limited to those aimed at enabling renewable resources in the grid. Grid investments, from the logic of ownership structure of the grid, are aimed at large companies. In order to for the SMEs, municipalities and citizens to benefit from this area of support, it is necessary to focus the support of the ESIF to energy communities and prosumers in the PA. Gas infrastructure, should be eliminated from the PA with the exception of infrastructure for biogas production, transport and use.

Climate change adaptation

In the area of nature based climate adaptation measures in the landscape, farmers play a crucial role. It is necessary to create links between the funding under the PA with agriculture legislation and the Common Agricultural Policy. Similarly, in urban areas, climate proofing and adaptation measures should be included in urban planning and in all buildings. Climate change adaptation and climate proofing should therefore be established as a horizontal principle, be eligible and required in all relevant operations such as construction or reconstruction of buildings, transport and energy infrastructure etc.

Without any doubt it is necessary to build capacities of the public on climate change. These should however include both adaptation and mitigation. The PA plans for climate related environmental education through development and modernisation of education centres. Environmental centres located by sites of natural heritage are useful for interpretation and

regulation of access of visitors to vulnerable natural sites. However, for climate related environmental education, new or restored buildings with potentially high cost do not provide much of an added value. In the area of climate mitigation and adaptation, it is necessary to support creation of high quality awareness raising and educational content as well as capacity building of involvement personnel such as environmental teachers and lecturers. Also, in the Czech Republic dozens of environmental education centres exist, many of them build from the EU funds, and are well distributed in all the regions. Rather than pouring money into buildings again, it is necessary to focus on the content and quality of environmental education.

Circular economy

While financing of waste incinerators is not supported, still, energy use, the next-to-last step of the waste hierarchy, is planned to be supported in the PA. It is necessary to ensure that only waste to energy installation that treat waste which cannot be recycled or reused in any other way should be supported. There is also a risk that supported installations such as untreated municipal waste transshipment points may be used also for the waste directed to landfills and incinerators. This would mean that the ESIF have been used to improve the economy of landfilling and incineration. Therefore, support for transshipment points of untreated waste must be eliminated.

Quality of the environment

One of the expected results of the Partnership Agreement under this heading is the “Increase of number of public spaces and their revitalisation accenting building of green infrastructure [...] and increasing climate change adaptability [...]” This formulation shows that the government expects that revitalization of public spaces, a highly visible and popular measure, will continue in the new programming period. It is necessary to define clearly that investments must, in the first place, support green spaces and infrastructure. In the current proposal of the Integrated Regional OP (IROP), the threat of turning funding of green spaces into traditional projects of refurbishment of streets and squares materialises: vegetation, water bodies, retention tanks and absorption paving costs are limited to 30% of the total project costs. OP Environment will support green infrastructure projects with a maximum 30% share of grey infrastructure (pavements, street furniture etc.) Therefore, if the share of eligible costs of green infrastructure in IROP is increased up to 70%, there is still no overlap with the OP Environment. The IROP will also support “revitalisation of unused areas where public spaces and green infrastructure will be build”. It is necessary to limit the use of the ESIF to projects turning brownfields and unused built-up environments into green areas. The opposite – turning so called “unused” areas, which in some cases might have already developed some natural qualities and biodiversity due to secondary succession into paved public spaces would be harmful from the point of view of this policy objective.

In line with the specific objective established under the Article 17, letter b, point vii “enhancing biodiversity, green infrastructure in the urban environment”, this subheading of the Partnership Agreement combines air pollution prevention, nature protection, green infrastructure and decontamination of polluted hazardous sites. While the PA as well as the OP Environment

cover these areas appropriately, it is necessary to warn of the risk of underfinancing nature protection in this mix.

Experience from the current programming period shows that financial allocation for large air pollution sources, despite increased several times, was not sufficient to satisfy all the applicants. This can be explained by high costs of these large scale investments, ability of applicants, many of them large enterprises, to manage such projects as well as by the legal requirements to reduce air pollution. The “Boiler subsidy” programme, aimed at exchanges of outdated boilers in households was very successful, too, and the regional authorities, responsible for its implementation, disbursed the allocation. On the other hand, in the Priority axis 4, nature protection allocation was one of those with the slowest uptake in the OP Environment. This is caused by the fact that beneficiaries do not have a direct economic interest in nature protection projects. Suitable natural sites or habitats of endangered species are also often owned by private persons different from the project beneficiary, which limits the potential of sites available for nature protection projects.

If these two types of operations (air pollution and nature protection) are included under one heading without a strictly separated financial envelopes, there is an enormous risk that nature protection will be sidelined and will suffer from lack of funding. It is therefore advisable to set at least two different headings, both under the point vii. At the very least, it is necessary to strictly separate allocations for these two types of operations.

Urban and clean mobility

Cycling and pedestrian transport are systematically omitted in the Czech policy making, National Action Plan for Clean Mobility, for example, does not mention them at all. It is therefore impossible to link the Partnership Agreement to some kind of national plans or targets in this area. Therefore, the PA itself should provide quality strategic guidance to deliver the potential of clean mobility.

While for the public transport, the PA plans for increase of its attractiveness, in case of pedestrian and cycling transport aims merely at its development and increase of safety. This difference is further developed in the list of supported activities in the IROP, which reads, for pedestrian transport: Safety in transport (with priority link to pedestrian transport), including building and reconstructions of pedestrian communications colliding with high intensity transit routes or crossroads, in sites with danger of accidents and reconstruction of bridges for local car and pedestrian transport.

From this list it clear that the support is aimed exclusively at solutions of problems created by high intensity car traffic and there will be no support for pedestrian transport per se, such as creation of new pedestrian connections and routes in the urban areas, elimination of obstacles for pedestrians and disabled or marking of pedestrian routes. In the case of bridges, reconstruction of bridges for local car transport can easily hide under clean mobility.

While implementing the PA provision on increasing the safety of cycling transport, the IROP focuses exclusively at building and reconstruction of communications reserved for cycling. While the separation of the transport modes may be useful in some cases, especially in urban

areas which lack space for separate cycling routes, it is often convenient to combine the transport modes and increase safety of cyclists and pedestrians by traffic calming. Traffic calming should be established as one of the results of this PO 2 subheading as it contributes to GHG and polluting emission reduction, enables increasing share of green spaces in the streets and contributes to safety and attractiveness of pedestrian and cycling transport.

Implementing the alternative fuels result of the PO2, the Operational Programme Transport plans for development of LNG infrastructure. However, natural gas is not included among the technologies which may be supported under the Taxonomy regulation. Also, according to the Czech Gas Association,¹⁰ there are currently only 21 LNG vehicles in the country. Building infrastructure for a completely new transport fuel based on fossil resources in a moment when electricity, biogas and power-to-gas technologies are promisingly developing is both a waste of public funds and a risk for the climate. Using LNG infrastructure for distribution of biogas is not economically viable.

Aquaculture (ENRAF)

Intensive aquaculture has a strong impact on water quality, pollution and biodiversity. Support for aquaculture must be therefore linked to strict environmental criteria. Support for measures increasing biodiversity and climate adaptation in aquaculture are missing altogether. In order to support innovation and improve the quality of water environment, a priority should be established for the support of nature based, extensive and organic aquaculture operations.

Policy objective 3: Connected Europe

The European Green Deal COM(2019) 640, under the sustainable and smart mobility heading reads: “Achieving sustainable transport means putting users first and providing them with more affordable, accessible, healthier and cleaner alternatives to their current mobility habits.”

However, Czech Partnership Agreement and the Operational Programme Transport are heading towards the traditional way of building motorways, indifference towards non-motorised transport modes and pretended intermodality. High-speed rail projects, with the exception of one section on the Brno – Přerov route are missing completely.

According to the EU Green Deal, “Multimodal transport needs a strong boost. [...] a substantial part of the 75% of inland freight carried today by road should shift onto rail and inland waterways.” The Czech Republic is a transit country suffering from high volumes of freight road transport, with its negative impacts on the environment and infrastructure. Still, the Partnership Agreement, in its brief justification of selection of the policy objectives, does not take this fact into account. In the OP Transport itself, multimodality is planned in the interventions aimed at passenger transport only. Measures aimed at the transfer of freight transport from road to rail such as transshipment terminals are not planned at all.

Investment into new road infrastructure is being justified by positive health and environmental effects of avoided transit in urban areas. However, this justification ignores the fact that improved road infrastructure is also an important factor of traffic induction. Most of OP

¹⁰ <http://www.cng4you.cz/cng-info/statistiky.html>

Transport investment is aimed at long-distance transport (TEN-T and access to TEN-T), where train connections are able to outmatch individual road transport in both speed and carbon footprint if the infrastructure allows.

Road infrastructure in the Czech Republic is often planned without proper environmental assessments and without regard to public interest, exceeding air pollution limits (case of R4901 Hulin – Frystak among others) or noise limits (case of D0 by Jesenice). Ignorance of legislation by the planners of the Roads and Motorways Directorate often leads to prolongation of permitting procedures when courts confirm the objections of municipalities and NGOs.

It is therefore necessary to avoid any road projects with potential harmful effects, especially in urban areas, where noise and air pollution limits are already being exceeded.

In rail infrastructure, low level of readiness of high-speed rail projects prevents their inclusion in the list of projects planned for this programming period. However, given the slow development of this technology in the Czech Republic, it would be useful to include at least projection works of high-speed rail among eligible activities.

Should funding under the policy objective 3 in the Czech Republic follow the strategy outlined in the EU Green Deal, it is necessary to prioritize railways, intermodal terminals, public transport and infrastructure for renewable fuels and set strict environmental criteria on road funding.

Just Transition Fund

Outside of the framework of the policy objectives, the Partnership Agreement also defines the interventions of the Just Transition Fund which will be financed through a separate Operational Programme Just Transition Fund.

The list of supported operations is very wide and with lack of details on the activities, it is impossible to assess it. The Territorial Just Transition Plans are under preparation as well and do not offer much of specificity so far.

However, the plan already includes a list of some of standard type projects to be supported. While the list included in the Plan published on the website of the Ministry of Regional Development is not very specific and often does not include the information on the project investor, a news portal Seznam Zprávy has come up with a list it claims was discussed by the government in October. The list contains only projects of one of the transition regions – the Ústecký region.

From the list it is clear that large part of the investments will be directed to large enterprises. In this regard it is necessary to mention that already during the 2014 – 2020 period, the Czech government was trying to push for more support for large enterprises in the disguise of energy efficiency investments in the OP Enterprise for Competitiveness (OP EIC). With large enterprises and EU ETS installations eligible for JTF funding, it seems there will be a lot of pressure to use this fund for large enterprises.

A Coal Platform of the Ústecký Region was established with two members representing civil society. While the platform has held 3 meetings in 2020, the list of projects was not presented in the Platform. Therefore, the process of preparation of the Territorial Just Transition Plan runs the risk of becoming a fake planning and participatory exercise, while the real list of supported projects will be compiled elsewhere.

In this regard it is necessary to mention that the level of perceived corruption in Ústecký region remains high. A 2017 survey Mapping corruption risk in regions¹¹ commissioned for the MRD quotes: “In recent years, the Ústecký region has been associated with a high level of corruption and clientelism. According to respondents, however, the situation has changed for the better, which is related to the change of political leaders at the level of the region and large cities. Even so, the respondents cannot say that the changes would be sufficient or that the most important actors in corruption cases from previous years have given up their activities.”

It is also necessary to point to the fact that the investor of the most expensive private project on the list is Lovochemia, a.s., part of the Agrofert Holding of the Prime Minister.

Project name in Czech	Project name in English	Project cost € million	Investor	Large enterprise
Podpora komunitní energetiky	Community energy support	1 450	Ústecký kraj	
Nové energetické zdroje	New energy sources	240	Lovochemie, a.s.	LE
Příprava výroby obnovitelného vodíku	Renewable hydrogen production	192	Unipetrol, a.s.	LE
Inovační centrum	Innovation centre	192	ČEZ, a.s.	LE
MATECH – výzkum nanotechnologií	MATECH – nanotechnology research	100	Univerzita J.E. Purkyně	
Boj se suchem – rekultivace	Drought prevention – recultivation	96	ČEZ, a.s.	LE
Modernizace městské dopravy	Modernisation of public transport	76	Město Teplice	
Těžba lithia z hlušiny na Cínovci	Lithium extraction from slag	60	Cínovecká deponie, a.s.	LE
MATECH – výzkum modernizace energetiky	MATECH – energy modernisation research	58	Univerzita J.E. Purkyně	
Regenerace nádraží Děčín-východ	Rehabilitation of railway station Děčín-east	58	Město Děčín	
Datové centrum	Data center	58	ČEZ, a.s.	LE

11 Astra for Ministry of Regional Development: Mapping Risks of Corruption in the Regions
<https://www.astracr.cz/wp-content/uploads/Final-zprava-se-zavery-vsech-analyz-ASTRA.pdf>

Project name in Czech	Project name in English	Project cost € million	Investor	Large enterprise
Výzkum geotermální energie	Research of geothermal energy	54	Česká geologická služba	
Ekologizace teplárny Komořany	Ecologization of Komořany heat source	50	United Energy, a.s.	LE
Výzkum ekonomické transformace regionu	Research of economic transformation of the region	38	Univerzita J.E. Purkyně	
Přeměna lokalit uhelné energetiky	Transformation of coal energy sites	38	ČEZ, a.s.	LE
Kampus řemesel	Crafts campus	38	Ústecký kraj	
Fotovoltaické elektrárny v různých lokalitách	Various photovoltaic installations	35	ČEZ, a.s.	LE
Rekultivace dolu Fučík	Recultivation of Fučík mine	35	ČEZ, a.s.	LE
Paroplynová elektrárna Pruněřov	Combined cycle gas power plant Pruněřov	23	ČEZ, a.s.	LE
Technologické centrum Ústeckého kraje	Technological center of Ústecký region	21	Ústecký kraj	
Centrum celoživotního vzdělávání	Centre of lifelong learning	21	Univerzita J.E. Purkyně	
Výzkumné centrum Triangle	Triangle research center	20	Ústecký kraj	

Table 1: List of projects to be supported by OP JTF in the Ústecký region.¹²

Conclusions on selection of policy objectives and results

Unlike in the previous programming period, the intervention logic of the Partnership Agreement – selection of specific objectives and its justification, and selection of expected results – is very brief. Lack of information on what is the underlying logic and what kind of activities and projects can be expected to bring about the results enables the Partnership Agreement to be formally in line with the objectives of the EU Cohesion policy, supporting the strategic directions included in the EU Green Deal. However, in terms of practical selection of supported areas and projects, the decision making power lays on the Managing Authorities (sectoral ministries) responsible

12 Source: SeznamZprávy: The government will propose Brussels to send 6 billion for a chemical plant from Babiš's empire
<https://www.seznamzpravy.cz/clanek/vlada-navrhne-bruselu-aby-poslal-6-miliard-pro-chemicku-z-babisovy-rise-125234>

for the formulation of the Operational Programmes. This is one of the reasons why the Czech Republic was pushing for more flexibility in the Cohesion policy negotiations.

Lack of strategic concentration provides little transparency on the reasons why certain areas are supported or what is the logic of project selection criteria. The Partnership Agreement therefore provides enough space for business-as-usual practice of supporting established economic sectors with little innovation. This is especially alarming in the areas of research and innovation, entrepreneurship and transport, as shown above. In the context of the enduring conflict of interests of the current Prime Minister Andrej Babiš it is also necessary to warn of the interests of the Agrofert Holding in biomass production and processing. Similarly, influence of power groups linked to the fossil energy and road construction on the PA priorities should be carefully examined.

The October 2020 draft of the Partnership Agreement also does not include any measurable indicators or quantified targets. In the time of writing, division of allocations among the specific objectives inside the Operational Programmes was not publicly available, either. While support for energy efficiency, renewable energy, circular economy or public transport is in general included in the Partnership Agreement, quantification of delivered results and available finance for these areas will be a key aspect in terms of quantification of the contribution of the PA towards the EU Green Deal objectives and national commitments. Without quantified targets, the Partnership Agreement should not be adopted.

It is necessary for the European Commission to monitor closely the content, indicators, results and financial allocations of the Operational Programmes. The Commission should insist on strategic thematic concentration and alignment of the supported actions with the EU strategies. Current proposal of the Partnership Agreement might in fact enable the Czechs to continue with their approach of “EU pays, we play”.

2. Allocation of the funds into Operational Programmes

In October 2020, the Ministry of Regional Development (MRD) presented a draft proposal of allocation of the funds to the Government. The government decided not to adopt the proposal as the conditions, including the EU level debate, are constantly changing. Later, in December, slightly different data was presented in a public conference by the MRD.

In comparison with the 2014 – 2020 period, it is striking that the Operational Programme Transport, with a potentially high share of carbon intensive investment into road traffic, is the only OP with increased allocation.

OP Employment has suffered the highest decline, dropping by more than €1000 million. One of the causes of this decline was a redistribution of funding from the ESF+ to the Cohesion Fund. Also, OP Employment suffered from a reallocation ESF+ funding into the Just Transition Fund. Originally, a drop to as little as €1019 million was presented, leaving the OP Employment

with less than a half of the current allocation. This move was heavily contested by NGOs and by the trade unions association. Apparently, readjustments have taken place in the distribution of the allocations in the meantime, which is a good signal that the Government is, in some cases, willing to take opinions of social partners and the civil society into account.

It is alarming that in the text of the proposal, the MRD admits that obligatory earmarking of 30% for climate action will not be fulfilled in the ERDF and not just by little: planned climate earmarking is only 20%. While the Czech Republic is already struggling to meet the climate earmarking objective of the previous period, it is unacceptable that a major non-compliance with the EU rules is planned from the start.

Operational Programmes		Policy objectives					
		Total	1	2	3	4	5
Czech	English	18 780	3290	5900	4580	4650	360
Share			18%	31%	24%	25%	2%
IROP	Integrated Regional OP	25% 4 700	580	1 310	550	1 900	360
OP Z	OP Employment	7% 1 400				1 400	
OP ŽP	OP Environment	13% 2 350		2 350			
OP JAK	OP Research, Education	13% 2 470	1 120			1 350	
OP TAK	OP Technology, Competitiveness	16% 3 050	1 590	1 270	190		
OP D	OP Transport	26% 4 810		970	3 840		
OP FST	OP Just Transition	1 600	1 600				

Table 2: Distribution of the ESIF in operational programmes and policy objectives in Euro millions. Based on presentation of the Ministry of Regional Development, December 2020

3. Enabling conditions

"Ex ante conditionalities" in the 2014-2020 period are replaced by "enabling conditions". These are fewer and – in contrast to the 2014-2020 period – monitored and applied throughout the period. Member States will not be able to declare expenditure related to specific objectives until the enabling condition is fulfilled.

Enabling conditions are not listed in the Partnership Agreement, but they are already now included in draft Operational Programmes. As compliance with the enabling conditions may influence the overall fulfilment of the PA objective, selected conditions are analysed here.

Policy objective 1: A smarter Europe - innovative and smart economic transformation

Enabling condition: Good governance of national or regional smart specialisation strategy

State: unfulfilled

New RIS3 strategy is under preparation. Underlying analysis, which was elaborated for the Ministry of Industry and Trade, identified, in the energy sector, low number of projects supported from national programmes and the ESIF, as one of the weak points of Czech R&D. Research directions identified in R&D included equally fossil, nuclear and renewable/non-traditional sources. It is necessary to ensure that the R&D directions of the PA provide sufficient attention to climate neutral technologies and circular economy.

Compliance criteria 6: Justification of compliance of this criteria in OP TAC now includes only measures related to the digital transition. In the follow-up of the new RIS3 strategy and with regards to the just transition process, it is necessary to prepare measures for industrial transition towards climate neutral industry, energy and transport sectors as well.

Policy objective: 2. A greener, low carbon Europe

Enabling condition: Strategic policy framework to support energy efficiency renovation of residential and non-residential buildings

State: fulfilled

Longterm Building Renovation Strategy adopted in June 2020. The PA claims: “To support the implementation of the strategy, the state will introduce legislative measures, fiscal support programs (both investment and soft measures) and others, especially of educational and informational nature.”

It is necessary to set up clear timetable for these measures and monitor their fulfilment in order to keep the enabling condition in fulfilled state.

Enabling condition: Effective promotion of the use of renewable energy across sectors and across the EU

State: fulfilled

National Climate and Energy Plan is in place. The most important measures for the achievement of the already low renewable energy target is reintroduction of the operational support planned to be put in place from 2021. However, the amended Act on Renewable Energy Sources Support nr. 165/2012 Coll. is waiting to be introduced into the legislation process in the Parliament since May 2020. In the mean time, the energy policy debate, including the legislative process, is focused on new nuclear source in Dukovany. Due to the electoral cycle (general elections scheduled for October 2021), it is most probable that its negotiation will not start before 2022.

Lack of operational support is the major barrier of development of renewables in the Czech Republic and will hamper the use of EU funds in this area. While the NCEP is in place, its provisions are not being implemented. Therefore, this condition should be revalidated as unfulfilled until the adoption of the new renewable energy act.

3. Administrative settings

Reduction of administrative burden has been identified as a key need by the ex post evaluations of the ERDF and¹³the Cohesion Fund and enshrined in the Common provisions regulation.¹⁴ In general, management, control and audit systems were over-complex. Administrative burden acted as a disincentive for applying for support.

These findings are more than valid for the Czech Republic. The Ministry of Regional Development, responsible for the methodical guidance of the whole process of EU funded projects administration, has prepared a number of methodologies, which require the beneficiaries to produce and present many documents, far exceeding the requirements of the legislation on accounting and procurement transparency. As these rules are often not settled, their interpretation from the managing authorities often change during the run of the projects. This is especially burdensome in case of small projects of SMEs, NGOs or small municipalities. Requirements and the amount of evidence are the same, regardless the size of the project.

This disproportionality manifests especially in case implemented by NGOs themselves, without sub-contractors, which is the case of nature protection projects under OP Environment. In case the project is implemented by a subcontractor, the beneficiary is required to presents public procurement documentation, couple of invoices and final report. In case of self-implemented projects, every single purchase of material is treated as a public procurement and subordinated to the same rules as any other contract under €16 000.

Taking a project of tree planting as an example, an order stamped by the supplier must be presented for posts, wire-mesh, nails, seedlings, spades and wheelbarrows regardless their value. This order must be presented before the project starts, regardless the length of the project, meaning the beneficiary has to order nails for several years in advance. In case the beneficiary decides to buy the nails in a different shop during the project, and official application for change in the project must be submitted.

Costs of personnel are under special scrutiny, the beneficiary has to present time sheets, registering, for every working hour, the activity and working site of every employee on the project. The beneficiary is also required to provide statutory declaration of each employee that his/her bank account is indeed his/hers.

While beneficiaries are obliged to follow the rules of the call for proposal and subsidy contract, many statutory declarations, which, solely for the purpose of having it on paper, declare compliance with these rules such as declaration of work load of the employees, declaration of overhead costs, of the statutory representative, declaration of the start and timetable of the project etc.

Digitalisation of the process did not bring any simplification, on the contrary: in many cases, digital agenda is duplicative to non-digital one. Many documents presented through the

13 CPR: Explanatory memorandum, point 3.

14 CPR: Explanatory memorandum, point 3.

MS2014+ are at the same time required to be signed on paper and scanned or at least signed electronically (sometimes both), while any submission to the system itself is electronically signed.

Equal system design for small and big projects, construction or planting causes many of the items the beneficiary needs to fill are irrelevant, such as compliance with Cost and Benefits Analyses for projects without CBA, date of approval by the Building Authority for non-building projects etc.

The beneficiaries are required to present preliminary annual budgets and budgets of all future payments with the precision of halers.¹⁵ As with every invoice or salary slip these values can change, the beneficiary need to constantly revise these budgets. The veracity of the annual costs is not required, proving that these calculations are not being used by the managing authority.

MS2014+ system does not allow (or at least officials of the State Environmental Fund claim so) the officers to edit values for the beneficiary, which hampers the effectivity in case smaller corrections need to be done.

This list of administrative requirements is in no way representative and could be complemented by many other examples. It however shows that the Czech authorities have developed a very complex system with demands further beyond legislative requirements and accounting standards. With a high potential for errors and very strict controls, beneficiaries face very real risk of fines. This complexity is further increased by a complex and user-unfriendly system MS2014+.

4. Partnership principle implementation

The Common Provisions regulation stresses the importance of the partnership principle as a key feature in the implementation of the Funds and confirms the continuation of validity of the Commission Delegated Regulation (EU) No 240/2014 on the European code of conduct on partnership.

In the preparation of the Partnership Agreement and the Operational Programmes, the Government of the Czech Republic has not observed the provisions of the The European code of conduct on partnership in the area of transparency, sufficient information and time for consultation, and capacity building for NGOs. In the area of partnership with civil society, systemic negligence and obstructions of meaningful involvement of partners are often taking place.

¹⁵ A haler is a former currency unit of CZK 0,01 value. While halers were cancelled in 2008, the ESIF administration often does not allow rounding and requires beneficiaries to correct rounding of haler values, which often arise from VAT calculations or in case of aliquot calculations of personnel costs or similar.

Public engagement in the process of Partnership Agreement preparation

Since 2017, the Ministry of Regional Development organised a series of 7 conferences (so called „round tables“) for civil servants, experts, economic and social partners, municipalities as well as NGOs. In these conferences, government officials and experts were informing participants on the process of programming, Cohesion policy of the EU, current development and challenges in the EU funding in the Czech Republic, examples of good practice and other relevant aspects of the programming. With a single exception of one NGO representative in one of the panels at the conferences, no participants from the civil society sector were invited to present their views. Although open debates were part of each of the round tables, it is unclear how the inputs of the participants were taken into account in further programming process.

An official opportunity for the NGOs and public to influence the text of the first draft Partnership Agreement started on the 9th of December 2019 when a public consultation was opened by the Ministry of Regional Development. The deadline for comments was the 6th January 2020, allowing the participants 16 working days in the period of Christmas for comments. Taking into account the extent of issues covered by the PA, we find this timing and short deadline as hostile to the public.

Nomination of NGO representatives

While the CPR promotes the roll-over of existing systems and simpler rules for identifying new bodies and does not require new designation processes; the Czech Government decided not to use existing Monitoring Committees of Operational Programmes and has established new platforms for the preparation of the OPs. This is particularly surprising as the number, structure, and sectoral orientation of the 2021+ OPs is very similar to the previous programming period. In this way, NGO representatives in the Monitoring Committees were vaguely informed on the course of development of the new OPs. In some cases, NGO representatives selected by the Ministries were invited to participate in some of the working groups.

In the process of setup of some of the preparatory platforms of the new OPs, the government designated representatives of the NGOs through its Government Council for NGOs. Despite the Council is the government body responsible for policy in the NGO area and disposes of a wide network of contacts and despite many NGO representatives are themselves members of the Council, the Council did not invite wider NGO community to cooperate on the preparation of the OPs and the Partnership Agreement itself.

Instead, in case of OP Environment, OP Transport and OP Technology and Competitiveness, the Council deliberately invited one of the NGO networks – ANNO (Association of Non-Governmental Non-profit Organisations) to delegate candidates into the preparatory platforms of these OPs. It is necessary to remark that the ANNO is representing only small part of the NGOs in the Czech Republic and does not have a working structure or history of transparent processes of delegation of NGO representatives. ANNO is also not endowed with member organisations specialising in the agendas covered by the above mentioned OPs.

Despite the Council secretariat, in a replay to information request from the author of this analysis on the nomination process, quoted the necessity to maintain continuation of the NGO representation, members of the current Monitoring Committees were not invited to provide nominations in the case of the OP E and OP TAC.

Upon request on the procedure of call for candidacy, selection and nomination of the candidates in these OPs, the Council secretariat did not provide any specific answer. Some of the selected NGO representatives are not even named in the list of nominees on the government website.¹⁶ In the meeting minutes of the Council itself nor its EU Committee, there is no record of the nominations nor results of voting or similar mechanisms.

Umbrella NGO associations representing member organisations with a high level of expertise in the issues of the environment, climate, transport and low-carbon technology such as the Zelený kruh (Green Circle – Association of environmental NGOs) and Pavučina („Spider web“ - Network of Environmental Education Centres), which are well known to the sectoral ministries, were not invited to provide candidates. NGOs dealing with transparency are not involved, either.

However, in the case of OP Environment, it is necessary to highlight the readiness of the Ministry of Environment to cooperate with NGOs. After it was alerted on the failure of the nomination process, the ministry swiftly invited interested NGO representatives to the platform.

Civil society and public participation lies outside of the interest of the current government. This is also reflected in the personal capacities of the secretariat of the Council for NGOs, which were diminished, limiting its operational capacity to organise a meaningful participatory process.

Capacity building for NGOs

Just like in the previous programming period, there is no support for capacity building of partners on the programming of EU funds available.

Although the Ministry of Regional Development held negotiations with umbrella NGOs on capacity building projects from the OP Technical Assistance in 2015 – 2017, these never materialised into a real support. One of the main reasons of the failure was the idea of the MRD, that NGOs should provide their expertise on implementation of the horizontal principles in EU funding, while following a narrow definition of aspects and indicators defined by the MRD. This approach did not allow the NGOs to exercise their role of a civil society watchdog. The form of cooperation could be compared to a consultancy service provision, no capacity building or civic participation elements would be supported.

The secretariat of the Council for NGOs itself is well aware that the lack of financial remuneration and no coverage of travel costs prevents NGO representatives from active and meaningful participation in the programming.

¹⁶ Government Council for NGOs: NGO representatives in the ESIF preparatory platforms 2021 – 2027
https://www.vlada.cz/assets/ppov/rnno/vybor-pro-eu/Tabulka_zastupci_NNO_ESIF_2021_2027.pdf

5. Recommendations

Policy objective 1: A smarter Europe - innovative and smart economic transformation

- Specify strategic areas of research and innovation where the Czech research and industry sectors can approach excellence, especially in the area of climate neutral, circular and sustainable production and consumption.
- Specify what are the objectives of the green transformation of the companies. Provide strategic guidance as what direction research and innovation should take in the area of climate and environment. Specify what outcomes are expected, what indicators.
- Provide strategic guidance for R&D enabling mainstreaming climate and environmental sustainability into all relevant supported projects under all the policy objects.
- Provide support for non-technological research and innovation (such as social and environmental sciences, innovative economic, policy or communication measures and instruments) to support social coherence and avoid adverse economic effects of the transition of the structurally affected coal regions as well as of the climate neutral transformation of the society as a whole.
- Set administrative simplification as an obligatory result and condition for all projects of digitalization in the public sector.

Policy objective 2: A greener, low-carbon Europe

Energy efficiency

- Provide a detailed guidance as on what are the highest energy efficiency standards in various sectors, especially buildings, industry and transport vehicles and set eligibility of EU funding exclusively for investments in line with these standards.
- Set energy efficiency standards for EU funded projects higher than current legislative requirements and minimum technical standards with gradual increase in time.
- Set energy efficiency both as a strategic priority of the Partnership Agreement as well as a horizontal principle bound to all relevant operations. Ensure that this priority and horizontal principle are reflected in the Operational Programmes and calls for projects.
- Provide sufficient financing and conditions in order to speed up the renovation rent of buildings from the current 0,6 – 0,8% annually to at least 1,8% annually.
- Ensure early calls for applications in energy efficiency to avoid a gap between the programming periods.

- Streamline various public programmes and subsidies, simplify administration and improve communication on energy efficiency, involving stakeholders in the process.
- Allow for combination of various kinds of energy efficiency investments accompanied by installations of renewable sources, climate proofing and adaptation measures.
- Set a specific quantified target for energy savings and renewable energy installed capacity to be achieved through funding under the Partnership Agreement.

Renewable energy and smart grids

- Avoid prioritizing biomass on the detriment of other renewable sources in the Partnership Agreement.
- Focus support on renewable sources enjoying no or low operational support such as wind and solar energy.
- Use ESIF funding to increase the share of renewable energy above the 2030 target mentioned in the NCEP.
- Focus the support of renewable sources, storage and smart grids on SMEs, municipalities, energy communities and prosumers.
- Include technologies for e-mobility solutions in the area of smart grids.
- Eliminate support for fossil fuels and accompanying infrastructure, including use and transport of natural gas in any form, from the PA altogether.

Green infrastructure in urban environment

- Green spaces and infrastructure must be set as the primary goal of all projects under this heading.
- Share of green infrastructure costs in urban rehabilitation project in the IROP must be set to a minimum of 30% to foster concentration on biodiversity and adaptation and a maximum of 70% to avoid overlaps with the OP Environment.

Biodiversity and pollution

- Establish two separate financial envelopes for air pollution reduction and nature protection to avoid underfinancing of nature protection.
- Allow simplified cost option in nature protection projects.
- Include biodiversity enhancement and climate adaptation in the ENRAF and prioritise nature based, extensive and organic aquaculture operations.

Urban and clean mobility

- Include increasing of attractiveness of pedestrian and cycling transport by creating new connections, routes and axis in the Partnership Agreement.

- Include a horizontal principle of including pedestrian and cycling transport infrastructure into all relevant projects of transport and urban infrastructure.
- Establish traffic calming as a stand-alone result of the PO 2.
- Exclude fossil fuels from the list of supported alternative fuels. Promote exclusively support of gas filling stations and infrastructure using biogas.

Policy objective 3: Connected Europe

- Distribute the allocation prioritizing railways, intermodal terminals, public transport and infrastructure for renewable fuels.
- Avoid funding of infrastructure for fossil fuels such as LNG.
- Set strict criteria to fund road projects with clear environmental benefits only.
- Allow for eligibility of preparatory projects of high-speed rail.

Just Transition Fund

- Ensure a sufficient part of the allocation of the fund is reserved for SMEs, municipalities, NGOs and small projects, avoiding its overuse by large enterprises.
- Improve transparency and public participation of the preparation of the Regional Just Transition Plans.
- Provide clear criteria on project selection and avoid behind the scenes selection of projects without proper assessment.

Partnership principle

- Allow for early involvement of NGO representatives in all the preparatory and monitoring committees, including the Council for ESIF.
- Organize a fully transparent process of selection of NGO representatives.
- Allow sufficient time for comments and provide transparent process of inclusion of comments of the civil society into the PA and operational programmes.
- Cover the costs and time of NGO representatives related to work in the committees.
- Implement provisions of the European Code of Conduct on Partnership.

Administrative setup

- Revise all methodologies and instructions regarding the administration of the EU funds and radically simplify the procedures, reduce number of required documents.
- Differentiate the instructions and methodologies of ESIF project administration according to the size of the project. Requirements for projects under €40 000 should in no way exceed required legal minimums.

- Simplify the MS2014+ system and allow project administrators to assist beneficiaries in editing their inputs.
- Enable the method of simplified cost for small projects especially in areas of renewable energy, nature protection and environmental education.
- Ensure conflict of interests is avoided on all levels starting with the preparation of the Partnership Agreement.