



EUROPEAN COMMISSION

Observations on the Partnership Agreement with the Czech Republic

PART I

Introduction

The observations set out below have been made within the framework of the Common Provisions Regulation (CPR) and the fund-specific regulations. The observations take into account the 2013 country-specific recommendations (CSR) adopted by the Council on 9 July 2013,¹ its supporting analysis,² and are based on the Commission Position Paper for the use of European Structural and Investment (ESI) Funds in 2014–2020.

The observations refer to the Partnership Agreement (PA) submitted by the Czech Republic on 17 April 2014.

The observations are presented following the structure of the PA as set out in the template. The most critical issues for the Commission are noted in Part I.

1. Assessment of the Czech Republic policy objectives

Analysis of disparities, development needs, and growth potentials has been provided within the Czech PA. However, the Commission would welcome clarity and prioritisation among the different objectives as well as a needs analysis underpinned by quantified and structured data to justify planned interventions within individual priority areas. This is especially urgent for areas of environment, energy infrastructure, and transport infrastructure.

In general, the policy objectives outlined in the PA do not contradict recommendations of the Position Paper, Europe 2020 targets, and CSR 2013. The general aspects of the Europe 2020 strategy have been covered by the PA. However, a clear focus to contribute to efficient implementation of these documents and to their targets should be obvious. Furthermore, some areas have been tackled in a manner that does not fully respond to the requirements of the above-mentioned policy documents, particularly the CSR. This concerns especially the following: cost-effectiveness of healthcare expenditure (particularly hospital care); availability of childcare facilities with a focus on children up to three years of age; and increase the participation of Roma children in education.

¹ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2013:217:FULL:EN:PDF>

² http://ec.europa.eu/europe2020/making-it-happen/country-specific-recommendations/index_en.htm

Any relevant CSR to be adopted in the framework of the 2014 European Semester should be taken into account for the final draft of the PA, in accordance with Article 15 (1) (a) (i) of the CPR.

In designing the overall architecture of programmes and their financial envelopes, the Czech authorities should take note of the fact that the derogations set out in Article 70(2) of the CPR and Article 13(2) Regulation (EU) No 1304/2013 (the European Social Fund (ESF) Regulation), are not an appropriate instrument to increase the funds available for capital regions. Where an operation benefits more than one programme area, and the Czech authorities make use of the derogations, a pro-rata approach has to be used, to determine financial contribution to the operation, based on an ex-ante assessment of the benefits for the different programme areas, based on objective criteria and best available data (e.g. population benefiting from the operation, users targeted etc.). The Commission would also like to reiterate that for operations covered by the above-mentioned derogation, compliance with the conditions set out in Article 70(2) of the CPR (applicable to all ESI Funds except the ESF), and in Article 13(2) of the ESF Regulation, has to be assessed during implementation, and that these operations require approval by the monitoring committee (except in the case of the ESF). In the light of the above, the Czech authorities are asked to make the necessary calculations for the funding of operations in the Prague region.

Given the poor performance of the financial engineering instruments (FEIs) in the previous period, a proper *ex ante* assessment of financial instruments (Article 37 CPR) is of crucial importance.

The PA contains a summary of the *ex ante* evaluations of the operational programmes (OPs) and key findings of the *ex ante* evaluations of the PA itself. Nevertheless, the conclusions presented are of general nature. As for the most complicated thematic objectives (TOs) – 4, 5, 6, 7 – it only states that the allocation for them has been evaluated as adequate, without further justification.

The PA also includes funding of areas that are not acceptable to the Commission: inland waterways, waste-to-energy infrastructure, and ambiguously prioritised investments in healthcare infrastructure.

2. Financial allocation proposed by the Czech Republic

Financial allocations by OPs and TOs have been provided by the Czech authorities. However, the Czech authorities have indicated that the allocations might not be final and are subject to further discussions among the managing authorities. Furthermore, as indicated by the Czech authorities, the allocations might also be adjusted in the light of the final interpretation of Article 70 of the CPR. The Commission would like to invite the Czech Republic to submit final allocations by both OPs and TOs.

Taking into account the fact that the ESF minimum share is at its lowest possible level (22.13 % v. the minimum 22.1 %), the Czech authorities are encouraged to increase its share following the challenges faced, particularly those addressed by the CSR. It should also be

noted that this share can be influenced by possible shifts in some areas following the comments further on.

The Commission notes that the proposed financial allocations per TO for the European Agricultural Fund for Rural Development (EAFRD) favour TOs 4, 5 and 6, with an allocation close to 70 %. There is concern that the funds proposed for TOs 3, 8, 9 and 10 may not be sufficient to cover the development needs in rural areas identified both in Section 1.1 of the PA and the strengths, weaknesses, opportunities and threats (SWOT) analysis of the draft Rural Development Programme, i.e. improvement of competitiveness, lack of infrastructure and basic services, creation of job opportunities, and insufficient qualification of rural stakeholders. The Commission considers that it is possible to review the financial balance among TOs while still sufficiently addressing the identified environmental needs with the same level of ambition.

Taking into account the need to optimise the leverage effect of funding, the Commission asks the Czech Republic to identify in which priority axes in the OPs it intends to modulate the co-financing rates in accordance with Article 121 of the CPR, and recalls that, as set out by Article 120 of the CPR, the co-financing rate is to be determined on a case-by-case basis and the maximum co-financing rates should not always be applied to their full extent.

In order to follow the principle of simplification, i.e. having one technical assistance (TA) priority axis per OP, the Commission recommends having TA in a multi-fund OP funded by either the European Regional Development Fund (ERDF) or the ESF, but not by both. It should be noted that the total allocation to the TA in all multi-fund OPs should reflect the pro rata principle, and in no way be used to undermine the ESF minimum share.

3. Cross-cutting policy issues and effective implementation

The structure of proposed OPs is above all oriented to the Czech administrative structure, i.e. ministries. Therefore, it remains questionable whether this is the optimal programming architecture to achieve planned results.

Territorial focus of interventions within the individual thematic areas should be obvious from the text of the PA, which is currently not the case. Therefore the Commission would like to invite the Czech authorities to outline how specific territorial particularities will be tackled by the ESI Funds.

Specifications of synergies between OPs addressing the same funding priorities/policies and internal/intervention logic of the programmes (especially multi-fund) have not been provided to a sufficient extent. An improvement in the programming architecture is necessary to enhance an integrated approach for education and public administration.

Where cross-financing is planned, managing authorities should ensure it does not unduly increase the administrative burden for beneficiaries. The regulation requires beneficiaries to demonstrate that costs are necessary for the satisfactory implementation of the operation and are directly linked to it. Managing authorities will need to monitor the use made of cross-

financing, as it is limited to 10 % of the Union contribution to a priority axis. Moreover, managing authorities are to check whether the other criteria set out by Article 98(2) of the CPR are fulfilled, as only part of an operation can be subject to cross-financing, and the costs must be necessary for the satisfactory implementation of the operation and be directly linked to it.

The Commission considers that the systematic use of cross-financing in OPs from the outset would be a misinterpretation of Article 98(2) of the CPR, and would point to a weakness in the intervention logic of the planned priority axes and of the integrated approach that should be pursued by the Funds. Where complementary interventions from the ESF and the ERDF are necessary to deliver on the challenges addressed by the programme, these should be envisaged from the onset under different Funds.

As concerns the *ex ante* conditionalities (EACs), the Commission is concerned by the high number of EACs that are self-assessed as not fulfilled or partially fulfilled. Currently only thematic EACs 1.2 (research infrastructure), 4.2 (co-generation of heat and power), 4.3 (production and distribution of renewable energy sources), 7.4 (smart energy distribution, storage and transmission systems), 9.1 (poverty reduction), and general EACs 1 (anti-discrimination), 2 (gender) and 3 (disability) are considered as fulfilled by the Commission. Thematic EAC 9.3 (health) and general EAC 4 (public procurement) have been claimed fulfilled by the Czech Republic; however, the Commission does not agree with such a conclusion.

Moreover, the Commission insists on inclusion of the EAC 9.2 (Roma inclusion) among applicable EACs, as already communicated to the Czech Republic, since the IP "socio-economic integration of marginalised communities such as the Roma", needs to be among the IP selected for support by the ESF.

The summaries of action plans within the PA should include detailed and updated information as regards specific actions, milestones and bodies responsible instead of only general descriptions and final deadlines. An action plan is drafted in case some actions are needed to meet requirements of a respective EAC.

The Youth Guarantee Implementation Plan is considered as a key element with regards to EAC 8.6, linked to the implementation of the Youth Employment Initiative, which requires the existence of a strategic policy framework for promoting youth employment, including through the implementation of the Youth Guarantee.

PART II – FURTHER OBSERVATIONS

1. ARRANGEMENTS TO ENSURE ALIGNMENT WITH THE UNION STRATEGY OF SMART, SUSTAINABLE AND INCLUSIVE GROWTH

1. Overall, the PA addresses a number of the issues identified in the 2013 CSR for the Czech Republic (labour market, education system (compulsory and higher education level), research and development (R&D) support, public administration, and healthcare) and contains references to them where relevant. CSR 1 (which in 2013 advised ‘prioritising growth-enhancing expenditure’) should be added to the tables linking EU strategies/documents and the identified problems with infrastructure in Section 1.1.2.1 on transport, Section 1.1.2.2 on information and communication technologies (ICT), and Section 1.1.2.3 on energy. However, some areas identified in the 2013 CSR still need to be tackled in the PA, especially childcare facilities with a focus on children aged up to three years. Furthermore, given the wide scope of the PA and the role of TOs, there appears to be no prioritisation of the areas directly highlighted by the 2013 CSR.

1.1 Analysis of disparities, development needs, and growth potentials with reference to thematic objectives and territorial challenges

2. Labour market – The subchapter on experiences from 2007–2013 should contain a clear list of factors that have led to inefficient implementation (e.g. significant implementation difficulties, large systemic projects, wrong setting of interventions), and of lessons learnt and measures/changes to address these weaknesses in 2014–2020.
3. Childcare facilities – On page 14 (reconciliation of working and private life in development needs), the second development need, concerning children aged 3–6 years, should be reformulated and support should be focused on kindergartens, not just on facilities beyond the educational system.
4. Education – The bullet point on national systemic projects, within the section on experience from 2007–2013 (page 18), should be extended: a clear commitment should be made to change how they are prepared, selected and implemented; their number and the changes for 2014–2020 should be included ensuring that systemic projects will be exceptional and based on a list of transparent criteria.
5. Explicit reference to entrepreneurship education in secondary and higher education, in particular in view of increasing employment of young people and in line with the Youth Guarantee, should be moved to this subsection
6. Within the subchapter on agriculture, the first of the needs, ‘ensuring sufficient capacities of pre-school and primary education in large towns and their surrounding’, indicates investing in infrastructure for primary education. However, this kind of investment does not belong to European Structural and Investment Funds (ESIF) priorities and should be covered by the national budget. As regards the second need,

‘learning languages as a tool for communication for inhabitants of common cross-border regions’, it is not clear why this is specific to agriculture. Furthermore, its scope should be narrowed so that it clearly contributes to the employability of target groups.

7. Section 1.1.2, heading 6 (unsatisfactory qualification structure in agriculture), should also clearly reflect the needs of the forestry and food sector.
8. Business environment – The following elements are currently missing in this part of the PA and should therefore be developed: high costs of tax compliance, simplification of start-up procedures (costs and time), reduction of administrative burdens, support to innovation investments, and better enforcement of contractual obligations.
9. The PA envisages extensive support to large enterprises. It has to be noted that the objective of the ESI Funds is to support primarily small and medium-sized enterprises (SMEs), given that they often find access to finance difficult. It should be noted that the ERDF can support only large enterprises in line with Article 3 of Regulation 1301/2013 on the ERDF.
10. The identified need to improve animal welfare should be justified and reflected in Section 1.3.
11. Financial engineering instruments (FEIs) – Information should be added on lessons learnt from implementing FEIs in the current programming period and on steps taken/to be taken to avoid negative experiences being repeated. The text should be modified to take into account the fact that the seed and venture capital funds were not implemented in the previous programming period.
12. Transport – Despite the existence of the Czech transport sector strategy, the analytical section does not provide any substantial data supporting the choices made. Consequently, the link between the transport sector strategy and the PA is not evident and should be strengthened. In particular, the intervention logic should be better explained and the link between the identified gaps and actions to address them should be clearer. Furthermore, the PA should make explicit reference to the completion of the Trans-European Transport Networks (TEN-T) Core Network Corridors as defined in the Connecting Europe Facility (CEF) for all modes of transport. Finally, the justification of some choices needs to be further developed (e.g. for regional roads).
13. The PA envisages support for a wide number of transport activities, including the development of public transport in urban and suburban areas. The PA should highlight that this will only be possible as a part of comprehensive sustainable urban mobility strategies/plans linked to the national air quality plan coordinated with the national action plan for clean mobility.
14. It is recognised that deficiencies in the transport infrastructure might prevent economic development. Nevertheless, the PA should state which characteristics of the infrastructure (e.g. capacity, safety, speed, arrangement of stops and stations) are

causing the main problems and complicating economic development/accessibility of regions, etc.

15. The PA refers to aspects such as safety, rail traffic management, and energy consumption, but without justification as to why these issues have been prioritised. An analysis of disparities and the impact on relating economic development should be provided within the PA.
16. Inland waterway (IWW) transport is an essential pillar of the Commission's transport policy. ESIF support to IWW infrastructure projects in the Czech Republic in the 2014–2020 programming period can, however, be considered only once questions regarding their economic viability, compliance with environmental legislation, and overall maturity are addressed in an adequate manner. The Commission will therefore reassess the needs of the country in the framework of the midterm review of OP Transport. Until then, the administrative capacity of the relevant IWW beneficiaries should be strengthened (ERDF technical assistance), proper implementation of relevant environmental legislation should be ensured, and further preparatory actions should be undertaken (e.g. independent feasibility, environmental and technical studies and cost-benefit analyses) in order to bring relevant projects to maturity.
17. In terms of the planned support for the development of networks of alternative energy fuelling stations, the Commission would like to stress the importance of a coordinated national approach. For the time being, support is scattered across several OPs and the relevant national policy papers are not yet ready. This should be reflected at PA level, and has to be followed up at OP level and adapted accordingly.
18. ICT – Support to this area, particularly to e-government, faced serious problems in 2007–2013, such as lack of efficient policymaking and coordination mechanisms, lack of project maturity, high unit costs, procurement problems, delays in the implementation of projects, and ineffective operation. Therefore, the PA should indicate how the same problems would be avoided in 2014–2020.
19. Broadband – A short description of the territorial aspect of the intervention (i.e. focus on underserved areas, defined as areas without a high-speed network providing at least 30 Mbps or with only one such network) is required. In this context, in view of limited resources, the focus should be on areas without any high-speed networks.
20. The need for mobilising ICT for growth and competitiveness (e.g. e-commerce, business-to-business (B2B) e-services) as highlighted in the Position Paper, is not elaborated in the PA.
21. In light of the gradual transition to mandatory e-procurement starting in 2016, appropriate measures should be foreseen within the PA.
22. Energy – In terms of energy infrastructure, the PA provides only insufficient information, particularly in terms of the problem/gap analysis. Moreover, the planned

needs do not correspond to the findings of the analysis, and the planned exclusive support of biogas and biomass has not been justified. Biomass should be accompanied by strict emissions standards and efficient abatement technologies. Also, it is not obvious whether other renewable sources would be supported. A clear separation of the scope of activities should be made between TO7 and TO4, as both are proposed for 'energy infrastructure' funding. The PA should refer to the link between energy measures and air quality. Local plans for energy should be linked to air quality plans.

23. The need to strengthen the internal and cross-border transmission capacities of power lines should be financed under the CEF. Such coordination/synergy issues should be more clearly addressed in the table 'Links to EU documents', Common Strategic Framework, as well as in Chapter 2.1.1.
24. The need 'to increase the resistance of the transmission system against natural and anthropogenic threats' is not substantiated by any analysis and is not further developed in the PA. Therefore it should either be removed or justified.
25. Public administration – The PA should identify which elements defined as development needs will be tackled, and how, i.e. the necessary reforms to be implemented in the 2014–2020 period and their respective time schedule. As for the identified priorities, it should be noted that the areas of climate change and integrated rescue system do not thematically belong to the section on public administration. Therefore they should be moved under the appropriate heading.
26. Social inclusion, fight against poverty and healthcare – The PA should indicate the measures planned to reach the Roma integration goals and also provide some indication of the financial allocation foreseen. Reference to the Czech Roma Integration Strategy should also be included within the PA. Additionally, specific 'expected outcomes' in terms of the social inclusion of marginalised communities (education, health, living conditions) should be provided as well.
27. The PA should indicate how spatial segregation (which also concerns the Roma) will be addressed. This is linked to social housing, education, healthcare and social services. In this respect, the Commission strongly recommends paying specific attention to territories of the Nomenclature of Territorial Units for Statistics (NUTS) 2 regions of Moravia Silesia and North West.
28. The Commission recommends ring-fencing a certain minimum financial allocation that will be invested in predefined socially excluded localities for interventions within TOs 8–10 from both the ERDF and the ESF. The Commission also recommends that the Czech Republic follows-up the 2007–2013 pilot projects focused on marginalised communities and includes this information within the PA.
29. Healthcare – The planned scope of interventions identified within the analytical section is too broad since it includes equipment and renovation of buildings in the whole range

of centres of specialised care, which were not supported by ERDF/ESF in 2007–2013 and of providers of consecutive care. This is not acceptable to the Commission. Geographical (absence of the corresponding facility in the region) and thematic (types of facilities) priorities should be clearly indicated in the PA. Mapping of the existing infrastructure and equipment is necessary before deciding on further EU co-financing. Beyond that, the absence of EU funding in 2007–2013 for a particular healthcare facility is not an adequate reason for co-financing in 2014–2020.

30. In terms of the focus on psychiatric care within the health sector, no evidence has been presented for the statement ‘when applying the right tools, 61 % of people with serious mental illness will find employment on the first labour market’. Indication on the financial allocations foreseen for different areas (within the TO and within health) should be provided.
31. Moreover, based on OECD data, the number of acute hospital beds per 1000 inhabitants in the Czech Republic significantly exceeds the EU average. Therefore investments facilitating a shift from acute inpatient care to long-term care and to community-based services seem to be especially important as well as investments in new technologies (e-health) if they contribute to increased cost-efficiency and better access to the care. Furthermore, the interventions in this area should first and foremost be true to the spirit of TO9, i.e. promoting social inclusion and reducing inequalities among geographical areas and social groups, in particular by ensuring access to healthcare.
32. Environment – It seems that investments are foreseen for waste-to-energy recovery i.e. incinerators. In line with the Commission’s recent position, this is not justified as long as the relevant comprehensive strategic framework (i.e. absence of a compliant Waste Management Plan, WMP) does not exist in the Czech Republic to analyse the needs for investments. The Czech Republic must comply with the Waste Framework Directive which identifies a five-step hierarchy of waste treatment operations, placing other recovery (including energy recovery) and safe disposal under the other waste treatment options (waste prevention, waste preparation for reuse, recycling). A compliant national WMP should be in place before any incinerator-type investments are submitted for ESIF co-financing. It should be noted that a proportionate and targeted increase is necessary in investments in recycling infrastructure in order to meet the targets in the waste legislation.
33. It should be explained, within the PA, which activities are envisaged by the planned technical measures within the corresponding Section 1.1.5.2. and within the expected results in Section 1.3. Furthermore, the results expected under the TOs related to climate change should put a strong emphasis on non-technical measures and/or on green infrastructure measures. It should be made obvious whether support is planned for dams. In this respect it has to be reiterated that ESI Funds can support only those

measures that are in compliance with the relevant legislative framework, i.e. the Water Framework Directive (WFD), Habitats Directive and the Floods Directive.

34. The subsection ‘Insufficient use of the tourism potential’ should be significantly adjusted. Tourism is not a priority for the Commission, as defined in the Position Paper and in observations to the draft PA. Planned interventions to public infrastructure have to be focused on a clearly ring-fenced group of facilities, e.g. UNESCO sights, national heritage sights.
35. Within the subsection on water management, a commitment to the continuation of the water agreement (Annex 7 of the OP Environment 2007–2013) in the 2014–2020 period, or to the establishment of a water regulator encompassing the water agreement principles, should be included. Finally, a reference to water consumption management in agriculture should also be made.
36. Water-related priorities should be linked to the expected results under relevant TOs. Furthermore, the priority task defined on page 82 ‘to reach a good condition of surface and groundwater by 2027 in accordance with the Water Framework Directive (WFD) ...’ is misleading. According to the WFD, all water-related authorities have to achieve good status by 2015, unless exemptions under Article 4.4 (longer deadlines) are applied.
37. In terms of Natura 2000, a reference to the Prioritised Action Framework (PAF) should be made within the analysis. Also, in addition to transport and energy, agriculture should also be mentioned as a source of emissions and relevant measures should be suggested.

1.2 Summary of the *ex ante* evaluations of the programmes or key findings of the *ex ante* evaluations of the PA, where undertaken by the Member State at its own initiative

38. Reservations are made about the relevance of TO5 given that the focus of intervention/expected results is on broader environmental risks. Minor objections were also made about the intervention logic for TO6 but no further details are provided. The PA does not provide any explanation as to whether these reservations/objections were addressed. It is also not obvious how the comments of the evaluator concerning consistency in the area of inclusive education and social inclusion have been taken into account.

1.3 List of the selected thematic objectives, and for each of the selected thematic objectives a summary of the main results expected for each of the ESI Funds

39. The PA template requires that the justification of the selection of TOs is done against development needs and funding priorities, whereas the information provided does not include development needs within Table 1-1, on p. 104.

40. TO3: The analytical section identifies an increase in the competitiveness of businesses in rural areas as key for stabilising the rural population. But the expected results do not sufficiently reflect the need to improve competitiveness in rural areas in sectors other than agriculture, food and forestry, and the need to increase the competitiveness of aquaculture and related activities.
41. The result of TO3 should not be described as increased use of FEIs but as enhancing the competitiveness of SMEs. A more appropriate wording would therefore be, for example: 'Improving sustainability of support to SMEs through increased use of revolving financial instruments, including venture capital and other sources of external funding for new and growing businesses'.
42. TO4: Green infrastructure should also be included under this TO and under TO5, TO6 and TO7 as an integration tool for the transition towards a low-carbon economy. Green infrastructure can deliver multiple benefits by strengthening ecological cohesion, enhancing the climate resilience of cities, regenerating brownfield sites, increasing quality of life (in rural and urban areas), and providing other ecosystem services. It can also mitigate fragmentation caused by transport network development and make such development more sustainable.
43. TO6: The Commission is of the opinion that additional investments are necessary in urban wastewater treatment infrastructure in order to meet legal obligations under the environmental acquis. A reference to fisheries control activities focused on traceability should be included under this TO. Traceability projects as well as catch certificates can be co-financed under the European Maritime and Fisheries Fund (EMFF).
44. TO7: The strategic approach pursued to frontload more than EUR 6 billion (i.e. 6 000 million) (almost 28 % of the total allocation) to TO7 must be properly justified within the analytic section, which is currently not the case.
45. TO8: Measures focused on anti-discrimination in the labour market should be specifically included within the results.
46. As there is insufficient capacity of childcare facilities both at the national and regional level, as reflected in the CSR, there is a strong need for an integrated approach of ESF and ERDF investments in this field. However, while the related ESF activities should be pursued under TO8, due to limitations in the legislative framework as regards TO architecture to cover ERDF investments into facilities for children aged up to three years, the latter should be added under TO9 and 10. The main objective of these investments is improved employability of parents, mainly women, and this has to be clearly visible in the SOs under TO9 and TO10, and reflected in the indicators.
47. The analysis in Section 1.1 shows that there is a lack of job opportunities in rural areas and that this will be tackled by farm diversification into non-agricultural activities and

by support to other business opportunities in rural areas. However, it is not clear how the latter will be achieved and what the combined ESIF interventions will be.

48. TO9: There should be explicit assurance that the minimum of 20 % for social inclusion co-financed by the ESF is reached within the PA.
49. Planned results should reflect the Commission position concerning the support of deinstitutionalised facilities and community care in the areas of social care and healthcare. Improving the health condition of the population is too broad to constitute an ESIF priority and it does not match the relevant IP, which specifically refers to enhancing access to health services. As for healthcare itself, the inclusion aspect is not obvious from the outlined results. Addressing discrimination in the access to the services should be added among the results.
50. The results should directly refer to the intended change. In this respect, the sub-result on ‘Mobilisation of persons at risk of poverty...’ is incorrect as the activation is already being implemented. Moreover, the sub-result referring to ‘Increased application of inclusive education’ should be moved under the result on ‘Decreasing the number of excluded locations ...’ to stress that TO9 activities will be focused on disadvantaged children mainly from socially excluded localities.
51. An unambiguous and comprehensive definition of planned activities and planned results within social housing is missing and should be provided in the PA.
52. The PA recognises the lack of basic infrastructure as a persistent problem in rural areas (e.g. water infrastructure). The PA should clarify how this problem will be tackled. The European Union initiative for rural development (Liaison Entre Actions de Développement de l’Economie Rurale, LEADER) may play a prominent role in this regard but only the minimum regulatory share of 5 % is proposed, although it proved to be very successful in the period 2007–2013.
53. TO10: Non-targeted ERDF infrastructure investment in primary and secondary schools has been a negative priority in the Position Paper so this should be avoided. Results should be adjusted accordingly.
54. Currently, pre-primary, primary and secondary education investment in infrastructure (ERDF) is in the Integrated Regional OP (IROP) while ‘soft’ measures (ESF) for these areas, and moreover infrastructure for universities, are in the multi-fund OP Research, Development and Education (OP RDE). An integrated approach following the education policy objectives must be ensured.
55. TO11: Investment in public administration (TO11 and TO2) is so far divided into two OPs (IROP and OP Employment). An integrated approach to public administration must be ensured, taking into account the CSR, the current non-fulfilment of EAC 11 and lessons learnt from the programming period 2007–13.

56. The planned result for ERDF ‘Support to preparation of documents on territorial development’ is not acceptable within this TO. The only acceptable documents to be financed by ERDF would be territorial strategies designed for ESIF-funded interventions (community-led local development – CLLD, integrated territorial investments – ITI). These should be supported by the OP Technical Assistance. It is not clear what the difference is between the ESF first and the second results.
57. Youth Employment Initiative: the information (Point 1.4.2) should be developed to include modalities of interventions under the initiative (and link to Youth Guarantee Implementation Plan)-challenges, target groups, measures.

1.4 The indicative allocation of support by the Union by thematic objective at national level for each of the ESI Funds, as well as the total indicative amount of support foreseen for climate change objectives

58. The indicative amount of EU support for climate change objectives should be revised based on the methodology for climate change support laid down in Commission Implementing Regulation (EU) No 215/2014. The revision should preserve the current level of support to climate change objectives and the latest figure has to be present within the PA. Where part of the funding is transferred to the CEF, the amount that will be contributed from this transfer should be added to the sum for climate change objectives.
59. The EAFRD allocation proposed for TO4, TO5 and TO6 seems unrealistic. It seems that the expected funding for rural development priorities 4 and 5 has been artificially split, with 50 % for TO5 and 50 % for TO6. However, the reference in the Annex to the ‘Draft template and Guidelines on the content of the PA’ regarding the allocation of 50 % to TO5 and 50 % to TO6 applies only to EAFRD priority 4 and not to priority 5. Therefore, the EAFRD funding for the three TOs: 4, 5 and 6 should be verified and adapted according to the real contribution expected from EAFRD to each TO.
60. In the absence of a decision concerning the EMFF allocation to the Member State (MS), there is no legal basis to provide more information. However, a formal correction is necessary in Table 1-8, where the ‘0.00’ in the EMFF columns should be deleted (an empty column or ‘n/a’ does not have the same legal meaning as the value 0).
61. The Czech authorities are reminded that all financial data (figures) in all tables encoded within the Shared Fund management Common IT system (SFC2014) and the tables within the PA must be correct and consistent, which is currently not the case (minimum ESF share, some totals in Table 1-8 within the PA). Within Table 1-6 in SFC2014 the OP RDE has not been encoded. Moreover, all the data must also be consistent between the tables within the PA and in all references and footnotes, e.g. table 1.6 and corresponding footnotes.

1.6 The list of programmes under the ERDF, the ESF, and the Cohesion Fund, except those under the European territorial cooperation goal, and of EAFRD and EMFF programmes, with the respective indicative allocations by ESI Fund and by year

62. The PA should contain an outline of the intervention logics of each OP, which is currently not the case, whereas detailed information shall be provided in OPs.
63. The Czech Republic does not seem to use the full potential of multi-fund OPs as enabled by the new legislative framework. The Commission invites the Czech authorities to explain and justify the reasons within the PA. This particularly concerns the areas of education and public administration within OP RDE, IROP and OP Prague – Growth Pole. Furthermore, a reference to the multi-fund character of OP RDE is missing within this chapter.
64. Consistency regarding the information included in the PA on Common Agricultural Policy (CAP) transfer should be ensured within the PA.

1.7 Transfer of allocations between categories of regions

65. The Czech authorities have not provided any additional information on this issue, referring to pending discussion on Article 70 of the CPR and Article 13 of the ESF Regulation. Similarly to the draft PA, 1.5 % is proposed to be transferred from the less developed regions allocation. The issue will have to be finalised, including a justification of the need to do so. Information on the proportion of funds proposed to be transferred into each of the three areas identified should be added. It should be explained why the area of public administration, which seems very relevant for such transfer, has not been included.

2. ARRANGEMENTS TO ENSURE EFFECTIVE IMPLEMENTATION –ARTICLE 15(1) (B) of the CPR

2.1 Arrangements to ensure coordination between the ESI Funds and other Union and national funding instruments and with the European Investment Bank

66. Information on synergies in the areas of environment, energy, and especially the impact on climate change are insufficient and should therefore be developed in more detail.
67. There is no particular reference to how EMFF will be involved in the coordination of ESI Funds, in particular with the EAFRD. Coordination with the LIFE instrument and also with Natura 2000 should be envisaged.

2.3 Summary of the assessment of the fulfilment of applicable *ex ante* conditionalities in accordance with Article 17 and Annex (XI) at national level

68. Only thematic EACs 1.2 (research infrastructure), 4.2 (co-generation of heat and power), 4.3 (production and distribution of renewable energy sources), 7.4 (energy infrastructure), 9.1 (poverty reduction), and general EACs 1 (anti-discrimination), 2 (gender) and 3 (disability) are considered as fulfilled by the Commission. All other EACs are considered non-fulfilled.

Thematic EACs 9.3 (health) and general EAC 4 (public procurement) have been claimed fulfilled by the Czech authorities. However, the Commission does not agree with such a conclusion.

All OPs for which non-fulfilled EACs are applicable will have to be complemented by action plans for the fulfilment of the corresponding EACs. The PA should contain a summary of all applicable general and thematic or fund-specific EACs at national level and should also contain a summary of the action plans for those non-fulfilled EACs.

69. For all EACs that have been claimed as non-fulfilled, partially fulfilled or on which the Commission does not agree with the Czech authorities that they are fulfilled, action plans (Article 15) have to be submitted to the Commission and will include the following: detailed information on actions, responsible bodies, timetable and deadlines (milestones). The Commission would like to underline that although legislatively the deadline to fulfil EACs has been set as the end of 2016, MS are encouraged to meet necessary requirements well before this deadline. Otherwise the adoption of PA might be significantly delayed.

The description of the EMFF fund-specific EACs and their fulfilment should be removed from the Annex to Chapter 2.3, and should be treated further in the EMFF OP.

Examples of non-fulfilled thematic and general EACs and Commission comments

70. EAC 6.1. Water: As regards criterion 1, the submitted updated action plan is not sufficient, as it refers only to the necessity of reaching an agreement at the government level. As regards criterion 2, the submitted updated action plan is not sufficient, as it refers only to the adoption of the second-cycle river basin management plans. A detailed action plan, specifying actions necessary to fulfil both criteria, is needed.

71. EAC 6.2. Waste:

- a) The action plan should be more concrete when it comes to the timing of measures as well as to analysis of their appropriateness given the existing delays at the national level.
- b) The second criterion is not fulfilled in the Commission's view. The existing national WMP from 2003 was assessed as non-compliant with the Waste Framework Directive.

- c) The third criterion is not fulfilled in the Commission's view. The 2003 plan cannot be regarded as containing satisfactory measures on waste prevention aiming at meeting the objectives under the 2008 Waste Framework Directive.
72. EAC 7.1. Sustainable transport: As regards the transport master plan and strategic environmental assessment (SEA), information has been provided on the SEA procedure. However, the Commission would like to have the Czech authorities' feedback on comments provided by the Commission on the SEA process within the master plan finalisation.
73. EAC 9.2. The Roma inclusion strategic framework has not been included. Taking into account the activities proposed under TO9 and TO10, the Commission requires that it be included.
74. EAC 11. Public administration: Analysis and strategies concerning reform of the public administration are needed, in terms of quality systems, simplification of administrative procedures, development and implementation of human resources (HR) strategies, skills development, and tools for assessment. None of these documents has been completed as yet. Although the Civil Service Act is not an EAC as such, it is a part of the CSR and the Commission perceives adoption of this act as a fundamental precondition for proper implementation of ESI Funds. Therefore the action plan for EAC 11 will have to specify details about the act, including bodies involved, clear actions, and milestones. In this respect, the Commission recalls the provisions of Article 19(5) of the CPR which, provided that the EAC is not fulfilled. As a result the procedure of an application of a significant prejudice could be launched at the level of all OPs affected, in relation to the staff expenditures.
75. EAC 4. Public procurement: The information provided, in particular for sub-criteria 1 and 4, is not sufficient in order to allow the Commission to conclude on their fulfilment and/or whether activities are included that refer to future. An action plan is considered necessary, in particular in the area of sufficient numbers of qualified and administrative staff, where an HR plan (i.e. the prepared methodology on the development of HR) and the arrangements to deliver it are still not in place. Also, an action plan should be elaborated for measures to improve the performance of the Office of Protection of Competition, which will tackle the delays to its decisions and cases of non-compliance with the Commission/European Court of Justice interpretation of the procurement legislation.
76. EAC 6. Environmental Impact Assessment (EIA): Criteria 2 and 3 should be reported as non-fulfilled as the proposed modifications to the Environmental Impact Assessment Act, in a response to the infringement proceedings, might also have an impact on the existing systems of training as well as on administrative capacities.

2.4 Methodology and mechanisms to ensure consistency in the functioning of the performance framework

77. The implication in the text that either one output or one result indicator can be used in the performance frameworks is not correct. For ERDF priorities, an output indicator is always required. Moreover, key implementation steps should complement output indicators, not replace them.

2.5 Strengthening administrative capacity

78. The existence of accurate and up-to-date information on the ultimate beneficial owner of any legal entity, such as legal persons, trusts, foundations, holdings and all other similar existing or future legal arrangements is a key factor. The ESIF implementing bodies are requested to identify, within the projects selection procedure, the ultimate beneficial owner of each beneficiary. The ESIF implementing bodies should also ensure that all beneficiaries retain information on their ultimate beneficial owners, and subsequently their contractors and subcontractors, throughout the whole duration of their engagement (including the sustainability period of the project concerned) and upon request make information available to competent authorities, in particular audit, control, police and judicial entities.

2.6 Summary of the actions planned in the programmes, including an indicative timetable, to achieve a reduction in the administrative burden for beneficiaries

79. Certain indicators have been mentioned under this chapter, based on which the fulfilment of individual objectives of a uniform methodological environment will be assessed. The Commission would appreciate more information on how the reduction of the administrative burden is to be measured/qualified and followed up.

3. DESCRIPTION OF THE INTEGRATED APPROACH TO TERRITORIAL DEVELOPMENT

80. Information on quantitative characteristics of types of territories mentioned (areas in development, stabilised areas, and periphery areas) should be provided within the PA in order to justify different types of interventions in different types of areas. This information should be presented in synthetic form (tables or graphs).

81. Community-led local development (CLLD) – The local development strategies seem to be financed from multiple funds (ERDF, ESF and EARDF). Therefore common mechanisms for several funds should also be indicated in the PA. This includes the coordination of CLLD administrative set-ups (common structures and administrative arrangements, indicative number of local action groups (LAGs), expected budget to support the strategies, the tasks attributed to the LAGs, coordination aspects between the funds), the arrangements for preparatory support, and the use of a lead fund.

82. CLLDs are to be used primarily for TO9 but also for TOs 1, 3, 4, 6, 7, 8 and 10. In fact all TOs except for TOs 2, 5 and 11 are included and this demonstrates a lack of

concentration and focus. Therefore, the Commission recommends concentrating only on a limited number of priorities, i.e. up to 5 TOs in each LAG territory.

83. Integrated territorial investments (ITIs) – Given the presented set-up of this tool, it remains unclear whether urban authorities will be assigned with project selection as required by the Article 7.4 of the ERDF. In that sense, urban authorities will act as intermediate bodies with the responsibilities proportionate to the level of delegation, i.e. at least the project selection.
84. The PA should explain the implementation arrangements to carry out ITIs as well as an outline of the coordination arrangements between ESI Funds and managing authorities in respect to ITI management.
85. In the case of Prague, it remains unclear where the demarcation is between types of operations to be addressed under OP Prague and under Prague ITI. The PA should provide information as to what the added value is of having Prague covered by a separate OP and in addition by an ITI.
86. Integrated territorial development plans – The management of this tool should be described within the PA, as well as competences of individual stakeholders in the preparation and adoption, funds involved, OPs, and the competition between strategies and projects. Pre-booking of the allocation for individual strategies in individual OPs is excluded.

4. MEASURES TO ENSURE EFFECTIVE IMPLEMENTATION OF THE PA AND OPs

87. The Czech authorities should provide the necessary information in order to make it possible for the Commission to assess its compliance with both the Position Paper and the corresponding legislation, particularly:
 - a) A clearer description and distinction between parts of the IT system: part for beneficiaries – front office (e-Cohesion system, Article 112(3) CPR), systems for monitoring, evaluation, financial management, back-office (Article 114(2d) CPR), connection with SFC2014 (Article 63(4) CPR).
 - b) How the ‘only once’ encoding principle will be guaranteed/will work in practice.
 - c) How interoperability between all the relevant authorities will be enabled.
 - d) As indicated in the Position Paper, retention of qualified staff is essential at all administrative levels. It is therefore important that staff involved in the management of the ESI Funds is selected on the basis of merit, capabilities and experience.
88. The Commission takes note of the exceptions for the managing authority of the Rural Development Programme. As for the electronic data exchange, however, further

explanations have to be given regarding the system for the EAFRD because a) there is no assessment of the existing system (including an overview of electronic services already available for beneficiaries and development needs), and b) there is no reference to actions planned to gradually permit all exchanges of information between beneficiaries and authorities to be carried out by electronic data exchange, with an indicative timeframe.