STANDARD SUMMARY PROJECT FICHE

1. **Basic Information**
   1.1 Désirée Number: 2002/000-282.06.06
   1.2 Title: Financial Tools to Implement the Acquis in the Environment Sector
   1.3 Sector: Environment
   1.4 Location: Czech Republic

2. **Objectives**
   2.1 **Overall objective**
   Ability to take on the obligation of membership, including adherence to the aims of political, economic and monetary union

   2.2 **Project purpose**
   To establish model financing strategies in the environmental sector for two regions, in full compliance with the environmental acquis.

   2.3 **Accession Partnership and NPAA priority**
   AP2001: Financing is a pre-requisite for the acquis implementation. To develop financial strategies is a precondition of the implementation of the relevant sectoral policies.

   NPAA 2000 Priority of chapter 3.7.1. - to prepare financial strategies for Directives with transitional periods and to implement environmental acquis.

   2.4 **Contribution to National Development Plan**
   Financial strategy is needed to realise all priorities of NDP in the environment (nature, water and air protection, waste management) - most of them are "investment heavy", i.e. very costly.

   2.5. **Cross Border Impact**
   n.a.

3. **Description**

   3.1 **Background and justification**

   **General assessment of investment needs to implement acquis**

   Total investment costs of environmental acquis implementation is estimated at about 320 bil. CZK (about 9 bil. EUR) till the year 2010. Although the implementation shall be ensured by the year 2003 as a reference date of accession, there will remain the most investment heavy directives to be implemented (IPPC, municipal wastewater, and waste sector) in following years.

   The main part of costs of implementation will have to be covered by the private sector (57%) and municipal sector (40%) (the rest state budget). The analysis based on current environmental expenditures shows that the municipal sector would finance only half of necessary investment, private sector lacks about 1/3 of financial means. There is a strong need for development of least - cost strategies, which will ensure synergetic use of available financial sources in order to implement EC directives.

   The most heavy investment directives in the environmental sector with implementation timeframe beyond 2003 are:

<table>
<thead>
<tr>
<th>Directive</th>
<th>Estimated costs (M €)</th>
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</thead>
<tbody>
<tr>
<td>Waste 94/62 on packaging</td>
<td>114</td>
</tr>
<tr>
<td>Water 99/31 on the landfill of</td>
<td>377</td>
</tr>
<tr>
<td>Water 91/271 on urban wastewater treatment</td>
<td>2 800</td>
</tr>
<tr>
<td>Number</td>
<td>Description</td>
</tr>
<tr>
<td>--------</td>
<td>-------------</td>
</tr>
<tr>
<td>91/676</td>
<td>on protection of waters against pollution caused by nitrates from agricultural sources</td>
</tr>
<tr>
<td>98/83</td>
<td>on the quality of water intended for human consumption</td>
</tr>
<tr>
<td>Air</td>
<td>on large combustion plants (till 2007)</td>
</tr>
</tbody>
</table>

The most heavy investment field is the water sector, which includes urban wastewater treatment and drinking water quality and which needs to be implemented by municipalities in co-operation with private sector. Municipal sector is currently not able to cover all relevant costs and will not be able to implement projects without significant support from the other public sources (state budget, EU support programmes).

The nitrate directive will be implemented by agricultural sector – farmers, it is also a sector with financial difficulties and is subsidised from the state budget.

There are many strategic documents (see below) which analyse the need of investment, but the identification of particular projects is missing. The Ministry of Agriculture will prepare list of needed projects in the wastewater sector in 2002, but it will not cover the whole range of projects (wastes, air), which needs to be implemented on municipal / regional level, i.e. sector with significant lack of financial sources.

To complete the pipeline, bottom-up approach is needed to identify all necessary investment. It is proposed to use this approach mainly in two selected regions (one more advanced, one little advanced) to learn suitable methods and procedures, then to be disseminated widely to all Czech regions.

For the project implementation it is necessary to set priorities and to prioritise most environmentally and economically effective projects. However priorities are set in different strategic documents (State Environmental Policy, National ISPA Strategy, etc.), more complex methodology and procedures would be needed. Prioritising will be a significant part of preparation of Regional Financing Strategies.

Projects pipeline and priority setting will be also an essential pre-condition for the use of structural and cohesion funds after the Czech Republic joins the EU.

**Background materials**

Several strategic documents have been prepared by the Ministry of the Environment (MoE) with respect to the implementation of environmental acquis. However, none of these documents include a comprehensive bottom-up assessment of investment needs to achieve acquis compliance.

**Implementation Plan for the Environment** is the basic strategic document, which covers all environmental EC directives and is annually up-dated. It focuses on tasks of state administration and financing part is not sufficiently described.

**Framework Investment Strategy for Implementation in the Environmental Sector** has been developed in 1999 and revised in 2001. It focuses on analysis of investment needs and proposes a strategy for implementation with respect to investment needs. The week point of the strategy is lack of forecasts of environmental expenditures in following years and very general proposal of financing specific fields of implementation.

For directives with request for transitional period financial strategies were prepared and accepted by the government of the Czech Republic:


**Strategy for Financing of the Implementation of the Council Directive 91/676/EEC on Protection of Waters against Pollution Caused by Nitrates from Agricultural Sources** has been accepted by the Government of the Czech Republic (Governmental Decree No. 907/2001).

Projects Phase 98, which were concluded by the end of 2001 / beginning 2002, CZ 9811-02-02 "Implementation / Investment Strategies for EC Waste Directives" and CZ 9811-02-01 "Implementation / Investment Strategies for EC Air Directives" give a good analysis of investment needs and a good basis for investment strategy in relevant sectors. However they do not reflect situation in other sectors (water, industry)
and there is a need for a complex approach focusing on the environmental sector. Moreover, both the investment strategies did not identify particular projects, which need to be implemented.

The Waste Strategy identified "type" projects, i.e. types of projects (incinerator, etc.) without particular location, size, etc. The Air Strategy did not identify any single project, which needs to be implemented with the argument, that all measures will be implemented in private sector and thus it is not viable to identify concrete projects. MoE found significant lacks in the Air Strategy from the point of view of fulfilling goals, but nevertheless no projects has been identified and there is a need to critically assess of projects which has to be implemented in public sector (municipal heating, communal wastes incinerators, etc.)

3.2 Linked activities

- financial strategies of EC directives with transitional period - Directive on packaging and packaging wastes (till 2005) - prepared by the Ministry of Environment, Directive on urban wastewater treatment (prepared by the Ministry of Agriculture)
- financial strategies of specific sectors (air, wastes - based on Phare 98 projects): Implementation/Investment Strategies for EC Waste Directives and Implementation/Investment Strategies for EC Air Directives. The contractor was in both cases AEA Technology (technical assistance).
- Results of the Phare 00-0028.00 Black Triangle project, which among other things, established a 'non-compliance inventory' for selected directives, should be considered too.

Implementation of the above projects should take account of the outputs of relevant activities financed under Access 99 and 2000.

3.3 Results

This project aims to contribute to the establishment of an acquis compliant financing strategy in selected environment sectors.

The project should result in a pipeline of projects (for two exemplary regions) which need to be implemented in order to achieve full compliance with the environment acquis in the water, waste and air sectors. The pipeline must be comprehensive as such so that if all projects are completed, establishments in the selected regions comply with the acquis in the above sectors. The pipeline must be based on an assessment of the existing infrastructure and the establishment of an inventory of actions required for acquis compliance. Thus, the pipeline should be based on a bottom-up need assessment and prioritised.

A number of representative pilot projects from public sector should be selected so as to undertake a detailed financial analysis of costs and benefits as well as potential financial sources. The experience thus gained should be disseminated to all other regions of the Czech Republic.

3.4 Activities

**Twining (0.8 ME)** Under Twining these activities will be provided:

1. Assessment of existing infrastructure and elaboration of directive-specific inventory of non-compliant infrastructure in two selected regions of the Czech Republic (one more advanced, one less advanced) for the sectors air, water, waste.

2. Establishment of an inventory of actions which need to be taken in each of the non-compliance cases identified above in order to reach acquis compliance. The focus will concentrate on the water, waste and air sectors. This 'actions' inventory should be concluded by a comprehensive list of projects to be undertaken. In this list, for each project reference is to be made to the relevant requirements of particular directives to be met at the end of each project.

3. Establishment of new project pipeline, based on the activities above. The project pipeline is to feature for each individual project cost assessments and indicative investment timetables. Reference can be made to funding sources, where this is already clear.

4. Prioritisation of projects in pipeline (on environmental grounds).
5. Selection of representative pilot projects (preferably from public sector) on which detailed exemplary financial cost-benefit analyses and a detailed assessment of potential financial sources will be undertaken.

Dissemination of knowledge gained and experiences made during work with two regions to all regions in the Czech Republic through seminars, manuals and guidelines.

Requirements:
Under the project one PAA is expected who shall be a senior expert experienced in strategic planning, project identification, financing, and budget preparation. He will be available for 18 months (approx. €220,000).

The PAA will be supported by three medium term experts (total of 18 months – approx. 480,000). The MTEs must be experienced experts in the identification, assessment and financing of projects in each of the three sectors concerned: water, air, waste (one for each sector).

STEs (approx. 60 men/days – approx. 75,000) will further contribute to the implementation of the project.
A study trip to a Member State will be undertaken (approx. € 5,000) and guidelines and manuals be produced and disseminated to all Czech regions (approx. €20,000).

3.5. Lessons learned
All relevant recommendations from previous projects have been taken into account.

4. Institutional Framework
The Ministry of the Environment of the Czech Republic (MoE) will co-ordinate the project. MoE is a beneficiary as well as the State Environmental Fund and especially regional bodies. The project will be co-ordinated with other central bodies involved in projects implementation and financing (Ministry of Finance, Ministry of Agriculture, Ministry of Regional Development, Ministry of Industry and Trade). Project steering teams will be set up in each of the two regions selected with the participation of representatives of the relevant regional authorities and the above Ministries as well as industry and other involved stakeholders.

5. Detailed Budget (mil. €)

<table>
<thead>
<tr>
<th>Project Components</th>
<th>Phare Support</th>
<th>National Cofinancing</th>
<th>IFI</th>
<th>TOTAL</th>
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<tbody>
<tr>
<td></td>
<td>Investment</td>
<td>Institution</td>
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<tr>
<td></td>
<td>Support</td>
<td>Building</td>
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<tr>
<td>Twinning covenant</td>
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<tr>
<td>Total</td>
<td>-</td>
<td>0,8</td>
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<td>0,8</td>
</tr>
</tbody>
</table>

6. Implementation Arrangements
6.1. Implementing Agency
The CFCU is the Implementing Agency responsible for tendering, contracting and accounting. The project will be administrated by CFCU: Mr. Jan Slavíček, CFA, kpt. Jarošč 1000, Praha 7, Czech Republic.

The contact person for the project: Mr. Ctibor Kocman, Director of the Integrated Financing Dptm., Phone N. 6712-2530, e-mail: ctibor_kocman@env.cz

6.2. Twinning
The project will be coordinated by the Ministry of Environment. See the contact point above.

6.3. Non-standard aspects
6.4. Contracts
Twinning covenant  0.8 M €

7. Implementation Schedule
7.1 Start of tendering/call for proposals  2. Q 2002
7.2. Start of project activity  1. Q 2003
7.3. Project Completion  3. Q 2004

8. Equal Opportunity
Equal opportunity principles and practices in ensuring equitable gender participation in the project will be guaranteed.

9. Environment
n.a.

10. Rates of Return
n.a.

11. Investment Criteria
n.a.

12. Conditionality and Sequencing
n.a.

ANNEXES TO PROJECT FICHE

1. Logical framework matrix in standard format
2. Detailed implementation chart
3. Contracting and disbursement schedule by quarter for full duration of programme
## LOGFRAME PLANNING MATRIX

### Financial Tools to Implement the Acquis in the Environmental Sector

<table>
<thead>
<tr>
<th>Overall objectives</th>
<th>Objectively verifiable indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
</tr>
</thead>
</table>
| • Ability to take on the obligation of membership, including adherence to the aims of political, economic and monetary union | • Acknowledgement by the European Commission | • EU regular reports on progress towards accession  
• Information prepared by the Czech Republic in fulfillment of the reporting obligations for the acquis | |

<table>
<thead>
<tr>
<th>Project purpose</th>
<th>Objectively verifiable indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
</tr>
</thead>
</table>
| • To establish model financing strategies in the environmental sector for two regions, in full compliance with the environmental acquis. | • Quality of the environment corresponds to EU standards | • Statistics issued by Statistical Office  
• Yearly reports of the status of the environment issued by MoE  
• Implementation plans  
• Governmental decisions on the Financial Strategy  
• National ISPA Strategy  
• Financial Strategies of EC directives with transitional periods  
• Programming strategy for the social and cohesion funds in the environmental sector | • Other parts of acquis in the field of environment are implemented, as listed in the Approximation Strategy and in the Implementation Plan  
• The Government adopts the Financial Strategy |

### Results

<table>
<thead>
<tr>
<th>Objectively verifiable indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
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</thead>
</table>
| • The project should result in the establishment of a model project pipe-line for heavy investment Directives in the water, waste and air sectors in two selected regions, reflecting a financial cost-benefit analyses of a small number of selected pilot projects, that can be applied throughout the Czech Republic (see the PF). | • Assessment of current situation has been provided.  
• Project pipeline has been developed and prioritised.  
• Detailed financial analysis of pilot projects undertaken.  
• At least 30 experts from Regions (i.e. Regional Authority) trained  
• About 20 experts from MoE and State Environmental Fund trained | • Financing Strategies approved by the MoE  
• Projects prepared for EU financial sources absorption  
• Manuals  
• Published guidelines  
• Training course reports including course assessment by attendees and attendee assessment by trainers | • Co-operation of all involved institutions ensured (mainly SEF, and ministries – of agriculture, for regional development and of finance through a Steering Committee where all involved bodies will have their members |
<table>
<thead>
<tr>
<th>Activities</th>
<th>Means</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Assessment of existing infrastructure and elaboration of directive-specific inventory of non-compliant infrastructure in two selected regions of the Czech Republic (one more advanced, one little advanced) for the sectors of air, water, waste.</td>
<td>Twinning (0.8 MEUR) (all figures are approximates) One PAA who shall be a senior expert experienced in strategic planning, project identification, financing, and budget preparation. He will be available for 18 months (approx. €220,000). The PAA will be supported by three medium term expert (total of 18 months – approx. 480,000). The MTEs must be experienced experts in the identification, assessment and financing of projects in each of the three sectors concerned: water, air, waste (one for each sector). STEs (approx. 60 men/days – approx. 75,000) will further contribute to the implementation of the project.</td>
<td>Availability of a suitable PAA from an EU Member State Availability of suitable short term experts from EU Member States Identification of appropriate financial experts to be trained</td>
</tr>
<tr>
<td>2. Establishment of an inventory of actions which need to be taken in each of the non-compliance cases identified above in order to reach acquis compliancy. The focus will concentrate on the water, waste and air sectors. This ‘actions’ inventory should be concluded by a comprehensive list of projects to be undertaken. In this list, for each project reference is to be made to the relevant requirements of particular directives to be met at the end of each project.</td>
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<td>3. Establishment of new project pipeline, based on the activities above. The project pipeline is to feature for each individual project cost assessments and indicative investment timetables. Reference can be made to funding sources, where this is already clear.</td>
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<tr>
<td>4. Prioritisation of projects in pipeline (on environmental grounds).</td>
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<tr>
<td>5. Selection of representative pilot projects on which detailed exemplary financial cost-benefit analyses and a detailed assessment of potential financial sources will be undertaken.</td>
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<td>6. Dissemination of knowledge gained and experiences made during work with two regions to all regions in the Czech Republic through seminars, manuals and guidelines.</td>
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</table>
### Detailed Implementation Chart

<table>
<thead>
<tr>
<th>Action</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
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</thead>
<tbody>
<tr>
<td>Selection of the partner</td>
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<tr>
<td>Twinning covenant signature</td>
<td>X</td>
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<tr>
<td>Assessment of existing situation in two regions</td>
<td></td>
<td>X</td>
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<tr>
<td>Development of project pipelines</td>
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<tr>
<td>Prioritisation of identified projects</td>
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<tr>
<td>Pilot region financing strategy</td>
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<tr>
<td>Financial analysis of selected projects</td>
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<td>X</td>
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<tr>
<td>Project completion</td>
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</table>
### ANNEX 3

#### CONTRACTING AND DISBURSEMENT SCHEDULE BY QUARTER FOR FULL DURATION OF PROGRAMME

**Cumulative Quarterly Contracting Schedule (mil. €)**

<table>
<thead>
<tr>
<th>Project</th>
<th>1Q/02</th>
<th>2Q/02</th>
<th>3Q/02</th>
<th>4Q/02</th>
<th>1Q/03</th>
<th>2Q/03</th>
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<th>3Q/05</th>
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**Cumulative Quarterly Disbursement Schedule (mil. €)**

<table>
<thead>
<tr>
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<th>1Q/02</th>
<th>1Q/02</th>
<th>3Q/02</th>
<th>4Q/02</th>
<th>1Q/03</th>
<th>2Q/03</th>
<th>3Q/03</th>
<th>4Q/03</th>
<th>1Q/04</th>
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<th>4Q/04</th>
<th>1Q/05</th>
<th>2Q/05</th>
<th>3Q/05</th>
<th>4Q/05</th>
<th>Total</th>
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<tbody>
<tr>
<td>Financial Tools to Implement Acquis in the Environmental Sector</td>
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