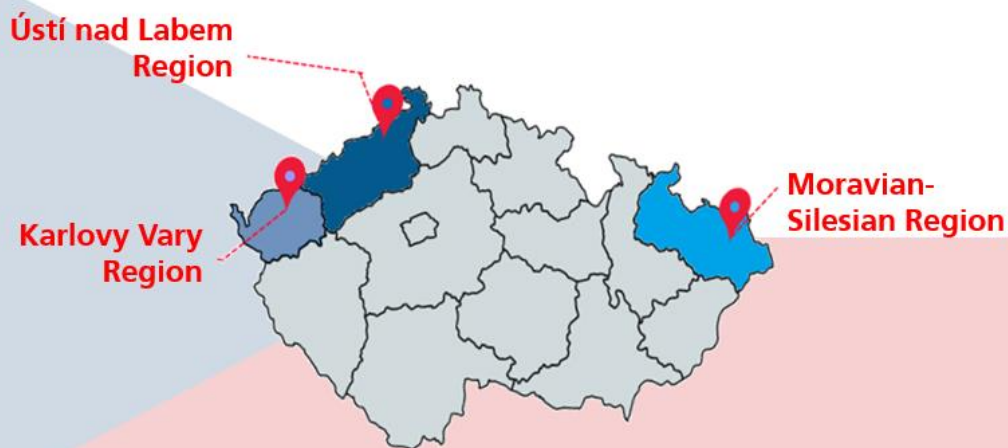


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# Support to the implementation of the Just Transition Fund in the Czech Republic



## D2. REPORT ON LESSONS LEARNED AND RECOMMENDATIONS FOR THE IMPLEMENTATION OF THE JUST TRANSITION FUND (FINAL)

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### **Disclaimer**

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This Project is implemented by Frankfurt School of Finance & Management (as part of the AARC Consortium) in cooperation with Prague University of Economics and Business, Czech Technical University and BeePartner

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*The English version of the current report is a translation of the original version prepared in Czech. In case of any variations in meaning, the Czech version shall prevail. Reasonable efforts have been made to ensure an accurate translation.*

## ABBREVIATIONS

AD MEP	Administrative district of the Municipality with extended power
CAP	Common agricultural policy
CERV	Citizens, Equality, Rights and Values Programme
CR	Czech Republic
CZK	Czech crown
EC	European Commission
EEA	European Economic Area
ERP	Enterprise resource planning
ESF	European Social Fund
ESIF	European Structural and Investment Funds
EU	European Union
EUR	Euro
EY	Ernst & Young
GDP	Gross Domestic Product
IROP	Integrated Regional Operational Programme
ISFC	International Sustainable Finance Centre
ISPZ	Information System of Project Plans
JTF	Just Transition Fund
JTM	Just Transition Mechanism
KHK	Regional Chamber of Commerce
KVK	Karlovy Vary Region
LAG	Local Action Group
MA	Managing Authority
MEP	Municipality with extended power
MSIC	Moravian-Silesian Innovation Centre
MoRD	Ministry for Regional Development
MoE	Ministry of the Environment
MSK	Moravian-Silesian Region
MSSF	Monitoring System of Structural Funds
NDB	National Development Bank
NGO	Non-governmental organisation
OP	Operational Programme
OPE	Operational Programme Environment
OPE+	Operational Programme Employment+
OPEIC	Operational Programme Enterprise and Innovation for Competitiveness
OPJAK	Operational Programme Jan Amos Komenský
OPRDE	Operational Programme Research, Development, Education
OPT	Operational Programme Transport
OPTAK	Operational Programme Technologies and Applications for Competitiveness
PJT	Programme Just Transition
RDA	Regional development agency
RDP	Rural development programme
R&D	Research and development
RSC	Regional Standing Conference
SEFCR	State Environmental Fund of the Czech Republic
SME	Small and Medium Enterprises
SMO	Union of Towns and Municipalities of the Czech Republic
SMS CR	Association of local governments of the Czech Republic
SPOV	Association for Rural Renewal
TA	Technical Assistance
TACR	Technology Agency of the Czech Republic
TJTP	Territorial Just Transition Plan
ÚK	Ústí Region

## TABLE OF CONTENTS

<b>EXECUTIVE SUMMARY</b> .....	<b>1</b>
<b>1. PROJECT CONTEXT AND FOCUS OF THE TASK 2 REPORT</b> .....	<b>5</b>
1.1 Objective of the Task 2 Report .....	5
1.2 Methodology of Task 2 .....	5
<b>2. EVALUATION OF THE ESIF SPENDING TO DATE AND REVIEW OF EXISTING EVALUATION REPORTS ON COAL REGIONS</b> .....	<b>7</b>
2.1 Basic information on MS2014+ data analysis.....	7
2.2 Assessment of absorption capacity by spending of funds .....	7
2.3 Assessment of absorption capacity by number of projects implemented and legal form of applicants and beneficiaries in coal regions .....	11
2.4 Review of previous surveys, analyses and evaluations on ESIF in relation to coal regions .....	12
<b>3. RESULTS OF EMPIRICAL RESEARCH</b> .....	<b>13</b>
3.1 Absorption capacity from the perspective of national level experts and regional representatives .....	14
3.2 Absorption capacity from the perspective of LAG representatives .....	17
3.3 Absorption capacity from the perspective of municipalities .....	20
3.4 Absorption capacity from the perspective of NGOs and universities.....	23
3.5 Absorption capacity from the perspective of entrepreneurs .....	27
<b>4. SYNTHESIS OF KNOWLEDGE AND LESSONS LEARNED ON ABSORPTIVE CAPACITY</b> ....	<b>29</b>
4.1 Experience to date with the absorption capacity of ESIF in coal regions .....	29
4.2 Key lessons for strengthening the absorptive capacity of small actors in coal regions from empirical survey and regional workshops.....	32
<b>5. CONCLUSIONS AND RECOMMENDATIONS</b> .....	<b>36</b>
5.1 Concluding remarks on the absorption capacity of small entities .....	36
5.2 Concluding remarks on barriers in relation to JTF.....	37
5.3 Recommendations to strengthen the absorption capacity of small entities .....	38
<b>6. REFERENCE LIST</b> .....	<b>44</b>

## Figures

Figure 1: Split of OPEIC, OPE and IROP approved applications in coal regions of the CR in the 2014-2020 programming period .....	8
Figure 2: Split of OPEIC, OPE and IROP spending by coal regions of the CR in the 2014-2020 programming period.....	8
Figure 3: Status of approved project applications under OPEIC, OPE and IROP over the 2014-2020 programming period (in CZK billion) .....	8
Figure 4: Intensity of support from OPEIC 2014-2020 per capita vs. GDP per capita in 2021 .....	9
Figure 5: Approved project applications under IROP, OPT, OPEIC, OPE and OPRDE (in CZK billion) .....	10
Figure 6: Number of approved project applications for IROP, OPT, OPE, OPEIC, OPRDE (per 10,000 inhabitants) .....	11
Figure 7: The vicious circle of obstacles for small actors: human resources and administrative capacity.....	36

## Tables

Table 1: Typology of respondents and number of interviews conducted as of 24.3.2023.....	6
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## EXECUTIVE SUMMARY

This report represents the output of Task 2 of the European Commission's Technical Assistance project "Support to the implementation of the Just Transition Fund in the Czech Republic". Task 2 is aimed at identifying the barriers to the use of public funds at the regional level in the Czech Republic, including those relevant to the implementation of the Just Transition Fund (JTF). Task 2 includes an assessment of monitoring data and relevant evaluation reports, a brief document analysis, an evaluation of empirical research, and finalisation according to the results of the discussion at the regional workshops. According to the Terms of Reference, special emphasis was placed throughout the assessment on the smaller actors of potential applicants and beneficiaries. Therefore, interviews with key actors, (i.e., representatives of smaller municipalities, non-governmental organisations (NGOs), enterprises, and experts at the national and regional levels) were conducted between 6 February 2023 and 22 March 2023. In addition, three workshops were conducted in June 2023 in the coal regions.

**Analysis of the data on the use of European Structural and Investment Funds (ESIF) in the coal regions of the Czech Republic** for the 2014-2020 period revealed the following key findings:

- Operational Programme Enterprise and Innovation for Competitiveness (OPEIC) and Integrated Regional Operational Programme (IROP) were the most important in terms of volume of funds; the share of Operational Programme Environment (OPE) was significantly smaller.
- IROP applicants had the highest probability of success in obtaining a grant (70% of allocated funds in relation to applications) while OPEIC and OPE each had applicant success rates of about 40%.
- The Moravian-Silesian Region dominated the absorption of funds from the ESIF operational programmes among all coal regions in the Czech Republic not only in absolute spending amounts, but also in terms of per capita values (i.e., intensity of support). This result corresponds to the size of this region. However, the Karlovy Vary Region showed a higher intensity of funding absorption than the Ústí Region.
- A more detailed territorial view at the municipal level demonstrates the importance of cities, conurbations and urban units in general compared to peripheral areas.
- The better absorption capacity of the Moravian-Silesian Region was also demonstrated in the case of the OPE uptake. In addition, in both the Ústí and Karlovy Vary Regions the OPE also identified places at the level of the administrative districts of municipalities with extended power (AD MEPs), where no supported projects were implemented.
- The analysis of the IROP uptake showed a higher success rate in all coal regions.
- The aggregate analysis of the absorption of IROP, Operational Programme Transport (OPT), OPE, OPEIC, Operational Programme Research, Development, Education (OPRDE) for the period 2014-2020 in the coal regions of the Czech Republic showed that the Moravian-Silesian Region had significantly higher absorption capacity. Meanwhile, the Karlovy Vary Region had a moderately favourable position relative to the Ústí Region (which can be defined as relatively unfavourable).
- In terms of the applicants' legal form at the level of the AD MEP for IROP, OPT, OPE, OPEIC, OPRDE, the results were basically the same in all coal regions. Non-profit organisations are the most successful in submitting applications. By contrast, municipalities and the public sector show the lowest levels in the number of approved projects per capita, which is due to their larger financial scope (e.g., infrastructure).
- Analysis of the regional differences in terms of total funds per capita in all regions of the Czech Republic showed that the Vysočina Region experienced the highest success while the Ústí Region reported the lowest. The Karlovy Vary Region also showed rather lower values.

The main lesson on absorption capacity factors in coal regions is related to the **very low absorption capacity in Ústí Region and partly in the Karlovy Vary Region**. By contrast, the Moravian-Silesian Region has been more successful in the absorption of ESIF funds to date. There are several reasons for this disadvantageous position. According to the STEM/MARK (2021) results, low trust in the transparency of processes in the North-West Region was cited as a concern. At the same time, the level of information and readiness of actors to implement ESIF projects in the North-West Region is also problematic. According to an Ernst&Young (EY) study (2023), the importance of the institutional and strategic environment in which the subsidies are implemented can also be mentioned. This study focused only on the assessment of the situation in the Moravian-Silesian Region, and in this case, it confirmed that it is in particular about the long-term strategic leadership of the region, a stable political

situation, functional platforms, and a strong agency and institutional system of the region, which strengthens the absorption capacity of the region in the long term.

**According to the empirical research**, some general logical assumptions for absorption capacity and specific issues of coal regions emerged. **Larger and more financially stable entities**, which are able to both secure co-financing or pre-financing and also have the necessary administrative apparatus to prepare and ensure the implementation of administratively demanding projects, **demonstrate better readiness for the implementation of projects financed from the ESIF**.

Conversely, **for smaller entities, a wide range of potential barriers have been identified**, which are addressed differently in different regions. This implies a diverse context for absorptive capacity. Smaller actors need considerable support in the form of advice. Local Action Groups (LAGs) or the offices of the respective micro-regions are very active and important in this respect. The LAGs and micro-regions also generally have a better overview of the territory and the individual key actors at local level, but feel a very low level of awareness in relation to the preparation of the transition process of the individual coal regions. Consultancies are also occasionally used for specific topics, but mixed experiences (i.e., positive and negative) were reported at the level of individual applicants and beneficiaries.

Absorption capacity is also related to **how individual actors perceive their role in the process of transition** of coal regions, for example:

- **In the case of municipalities, the situation differs between coal counties:**
  - In the Karlovy Vary Region, municipalities have a basic awareness of the transition process, however their representatives identified a low level of communication regarding the possibilities of municipal involvement in these processes.
  - In the Ústí Region, municipalities feel the impacts of the transition very keenly, especially if they are close to areas affected by opencast or deep coal mining, and therefore put emphasis mainly on infrastructure projects related to the revitalisation of the area.
  - In the Moravian-Silesian Region, the municipalities in the southern part of the mining landscape perceive the transition process as a matter pertaining primarily to larger industrial actors and often do not perceive their position to be significant. They perceive their role mainly in stabilising local socio-economic development and modernising civic amenities and basic infrastructure.
  - In terms of the so-called deadweight effect<sup>1</sup>, smaller municipalities would only be able to implement smaller projects with a longer time lag. Larger scale projects would only be implemented in extreme cases. Investment grants are therefore an essential form of funding.
- **Representatives of NGOs and educational institutions** perceive their role in the transition process mainly in the possibilities of achieving greater flexibility of the workforce, strengthening the qualification level in the region, new opportunities, support for self-realisation, support for entrepreneurship, work with disadvantaged persons, and in the area of education about transition processes. However, in terms of deadweight effect, NGOs are not able to function in the long term without subsidies. Universities have not sufficiently exploited their potential in terms of practice-oriented projects, which is caused, among other things, by their lower level of cooperation with relevant regional actors in the territory. Given their strong position in project management (especially in the field of science and research), no significant barriers to project preparation were identified on their part.
- **Representatives of smaller enterprises** reflected a very narrow understanding of the broader transition processes in the region, which is related to the fact that they are fully occupied with their day-to-day operational agenda. Medium-sized enterprises are very active on the topic of preparing ESIF-funded projects. Although they noted that the process is complicated by an excessive bureaucratic burden. The deadweight of project plans varies among entrepreneurs. If it is a major investment that strengthens the enterprise's market position, the deadweight is 80-100%, but this is related to the financial strength of the enterprise. Smaller enterprises showed a significantly lower deadweight of 30-50% in the survey.

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<sup>1</sup> A deadweight means that the target group would have achieved the desired outcome without the intervention. The empirical survey therefore tested the percentage probability that the investment plans would have been implemented in the absence of the subsidy. The lower the percentage level indicated by the respondents, the higher the importance of the subsidy because the investment plan would not have been implemented by the respondent (typically for non-profit organisations).

Respondents identified **many barriers related to project preparation and planning**, confirming a long-standing cross-cutting phenomenon related to administrative complexity, especially for smaller entities that do not have the capacity to secure this agenda on their own. These include:

- The time-consuming nature of preparing project applications and the concern about the administrative complexity of project implementation.
- Filling in the content of the project application, requirements for annexes to the project application.
- Budgeting of the project proposal.
- Overcomplication of the rules.
- A number of administrative checks.
- Public procurement in the field of innovative projects.
- Deadlines for the administration of aid applications and inadequate communication regarding the launch of calls for proposals.

The administrative complexity is usually linked to the lack of qualified human resources for smaller applicants. In this case, a chain of downstream problems is triggered, i.e., insufficient human resources imply low awareness of the details of the different funding opportunities, which results in low or no activity in submitting project applications. This results in poor project management experience. Therefore, consultancy is important and is usually implemented through LAGs or consulting companies. The lack of qualified human resources is not as crucial for NGOs as it is for enterprises or smaller municipalities. Additional absorption capacity barriers include the issue of co-financing and pre-financing of ESIF projects, especially for NGOs and smaller municipalities.

These findings were discussed in three workshops for the coal regions, with workshop participants confirming the importance and necessity of further strengthening outreach activities towards smaller stakeholders. At the same time, significant differences were confirmed in the institutional readiness of the different coal regions. The situation is very good for the Moravian-Silesian Region, which has a well-developed system of regional agencies that support strategic development in the territory. By contrast, the absence of a regional development agency was identified as problematic for the Karlovy Vary Region. The Ústí Region sits between the two regions, as it has a system that is already established and will be further strengthened through the strategic project of the Transformation Centre. Overall, however, there is a need to distinguish between the immediate and long-term needs of smaller stakeholders.

The regional workshop discussions indicated that in addition to the ongoing information and training activities of the Programme Just Transition (PJT), it would be advisable to establish regional consultation points in the regions, which would address ad-hoc questions on the implementation of the PJT in the form of a referral centre. However, for the longer-term strategic development of smaller entities, there is a need for more comprehensive one-stop-shop consultation points where smaller entities can continuously discuss a wider range of options for addressing their investment needs under all national and European programmes (i.e., beyond the PJT). This should be a comprehensive system that responds to the needs of the regions, i.e., a combination of regional or thematic development agencies with the activities of LAGs, micro-regions and consultancies. In this sense, it is a confirmation of the importance of the planned outputs of Task 6 of this Technical Assistance (TA) project, which will generate evidence and recommendations for possible improvements in institutional functioning in the Karlovy Vary and Ústí Regions.

On the basis of these analyses, the TA team has compiled a set of **recommendations**, which are refined in terms of their context, timing and responsibilities of the relevant institutions. Specific recommendations include:

- 1. Strengthening the transformative potential of the PJT and thus the initial absorption capacity of smaller actors**
  - 1.1 Strengthen the awareness of potential PJT applicants among smaller stakeholders about the possibilities of obtaining specific information or consultations on their upcoming projects from existing staff and consultants of RSCs and MAs at the regional level (in the form of a one-stop shop or regional PJT consultation point) .
  - 1.2 Maintain a high level of awareness on the objectives of the transition process.
  - 1.3 Greater sharing of good practice at the international level on the topic of transition - more intensive use and promotion of results using EU level support (i.e., "exchangeEU programme", Just Transition Platform, Interreg Europe 2021-2027).
- 2. Reducing administrative complexity and facilitating project preparation**
  - 2.1 Prepare guidance project templates in the selected thematic calls of the PJT.



- 2.2 Establish standard information tools to support the sharing of experiences between applicants and beneficiaries (discussion forums for networking between applicants and beneficiaries).
  - 2.3 Promote awareness of the differences between subsidies and financial instruments (i.e., Pillar I vs. Pillar II and Pillar III of the Just Transition Mechanism (JTM)).
- 3. Reducing the administrative complexity of project implementation and facilitating their implementation**
- 3.1 Ensure greater coherence and consistency of control mechanisms by strengthening the single audit principle.
  - 3.2 Greater flexibility to change the project budget for innovative projects in the thematic call “Innovation in the Circular Economy”.
  - 3.3 Conduct an assessment on human resources and processes regarding potential strengthening of the staff capacities of the PJT Managing Authority (MA).
- 4. Strengthening the capacity of consulting companies, LAGs and micro-regions (training of trainers)**
- 4.1 Continuous training of trainers in coal regions, which will correspond to the specifics of individual coal regions. The identified training needs were related to the content of project preparation and specifics of project management in relation to different types of subsidy programmes.
- 5. Strengthening institutional capacity for project preparation in the Karlovy Vary and Ústí Regions**
- 5.1 Establish a regional development agency in the Karlovy Vary Region.
  - 5.2 Strengthen the agency system for the development of the Ústí and Karlovy Vary Regions.
  - 5.3 Initiate discussions on the 2027+ transformation steps with representatives of smaller stakeholders (municipalities, NGOs, business).

# 1. PROJECT CONTEXT AND FOCUS OF THE TASK 2 REPORT

## 1.1 Objective of the Task 2 Report

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The objective of Task 2 is to prepare a report that outlines the barriers to the use of public funds at the regional level in the Czech Republic, with specific reference to so-called coal regions, that are relevant to the implementation of the JTF. This fund represents a unique joint solution for the state and the territory for the transformation of coal regions in the Czech Republic. The following activities were implemented under this task:

- Evaluation of existing monitoring data and evaluation reports, document analysis.
- Conducting stakeholder interviews and empirical research.
- Preparation of the draft report for discussion with the Steering Committee and subsequent revision according to comments.
- Three regional workshops for stakeholders.
- Completion of the report and its presentation.

This report provides a comprehensive summary of the analyses, conclusions and recommendations.

## 1.2 Methodology of Task 2

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### 1.2.1 Analysis of data from the monitoring system and existing studies, analyses and evaluations

This assignment includes desk research of background information and programme documents related to the Just Transition process, available on the following web portals:

- DotaceEU.cz - Coal regions
- (Operational)<sup>2</sup> PJT - State Environmental Fund of the Czech Republic (sfzp.cz)
- Monitoring Committee – Just Transition Programme (opst.cz)
- Just Transition Programme 2021-2027 - Ministry of the Environment (mzp.cz)

Furthermore, basic overviews of the current spending of the ESIF in the Czech Republic in the 2014-2020 programming period have been prepared. Following consultations with representatives of the Ministry of Regional Development, the overview focuses on selected key programmes, e.g., Entrepreneurship and Innovation for Competitiveness, Research, Development and Education, Employment, Transport, Environment, and the Integrated Regional Operational Programme in Prague, the Growth Pole of the Czech Republic. The focus is on the comparison of total expenditure, average and median expenditure and number of projects with other regions of the Czech Republic (total and per capita). In addition, summaries of expenditure and number of projects by legal form of beneficiaries are compiled to identify the intensity of expenditure by key entities that may apply for the group projects scheme in coal regions, e.g., SMEs, municipalities and non-profit organisations. The main results and findings are included in this version of the report.

This task includes desk research, collection and analysis of data on expenditure levels in each region, evaluations, reports on the absorption capacity of public funds at regional level and reports relevant to the implementation of the JTF, including Structural Funds. Also, the analysis draws on existing reports, including research conducted by the International Centre for Sustainable Finance in the Ústí Region, as well as the analysis conducted under the CZ TJTP project (SC/2020/111), which analysed the situation as of June 2021. Here, the TA team provided the first results of this assessment in relation to the absorption capacity of the JTF (i.e., availability and readiness of meaningful projects). Following the uptake of ESIF, the results of an evaluation survey that focused on awareness of EU funds in coal regions (results as of December 2021) are considered. In addition, in the first half of 2023, an ex-post evaluation of the use of ESIF funds for the Moravian-Silesian Region for the period 2014-2020 was available.<sup>3</sup> Further evaluations and analyses on the use of 2014-2020 funds for individual regions in the Czech Republic will be carried out by the end of 2023. This timeframe is outside the deadlines of Task 2, however, the TA team expects to update this agenda in the final report (Task 7).

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<sup>2</sup> For the period 2021-2027, "operational programmes" are now referred to as "programmes."

<sup>3</sup> See: dotaceEU - Evaluating the results of the benefits of EU funds at the regional level.

### 1.2.2 Empirical survey

According to the tender documentation for this project, it was assumed that at least 50 interviews with key actors in relation to the so-called umbrella entities would be carried out (i.e., calls for smaller and similar type of projects focusing on a wide range of applicants; these calls are announced and administered by coal regions). In the course of discussions with the contracting authority, this was increased to at least 60 interviews at the regional and national level, with a strong focus on potential beneficiaries from smaller municipalities, NGOs and businesses.

The interviews with key stakeholders took place between 6 February 2023 and 22 March 2023. A total of 62 interviews were carried out during this period, of which 28 were face-to-face interviews on site and 34 were conducted online. Photographs were taken of the on-site interviews and print screens of the meetings were provided for the online interviews. Some of the interviews with representatives of the local action groups were conducted in a hybrid form, where experts from the TA team allowed representatives of the MoRD to participate online and join the discussion. Interviews with LAG representatives were important given their experience with small actors at the micro-regional level. Table 1 shows the planned typology of respondents and the numbers of interviews achieved.

**Table 1: Typology of respondents and number of interviews conducted as of 24.3.2023**

Type of respondent	National institutions or associations	Ústí Region	Karlovy Vary Region	Moravian-Silesian Region	Total
Association of Small and Medium Enterprises and Tradesmen of the Czech Republic	0				0
Czechinvest	1				1
Local Action Groups		3	3	3	9
Centre for Transport and Energy (NGO)	1				1
Representatives of regional standing conferences		1	1	1	3
Chambers of Commerce (regional)		1	0	1	2
Society for Rural Renewal (SPOV)	1				1
Association of Local Authorities of the Czech Republic	1				1
Representatives of small towns (SMO CR)		1			1
Representatives of municipalities		4	5	5	14
Representatives of NGOs/schools/universities		2	5	7	14
SME representatives		5	4	5	14
Consulting companies		0	0	1	1
<b>Total</b>	<b>4</b>	<b>17</b>	<b>18</b>	<b>23</b>	<b>62</b>

The TA team would also like to mention a partial experience with representatives of the business community, who are generally not very interested in participating in such surveys and also often do not show interest in greater involvement in public spending programmes. In this regard, 14 interviews were conducted with SME representatives from a total of 36 respondents (i.e., a 39% success rate). A total of 22 SMEs repeatedly failed to respond or were not interested in being interviewed.

### 1.2.3 Verification of findings - Steering Committee, regional workshops

The first draft of the report was presented to the Steering Committee in early April 2023, and followed with comments, discussion, and a workshop for each of the three coal regions with the respective stakeholders. For the Moravian-Silesian Region (6 June 2023) and the Karlovy Vary Region (21 June 2023), workshops were conducted directly at the respective regional offices. In the case of the Ústí Region (8 June 2023), the workshop was implemented on-line. All regional workshops were prepared in close coordination with the representatives of the coal regions in order to meet their needs and time possibilities as much as possible. As the basic problem areas of absorption capacity are the same for all types of respondents, representatives of all relevant applicants for the group projects were invited to each regional workshop. In agreement with MoRD representatives, these workshops were also coordinated with the representatives of the PJT Managing Authority responsible for communication activities.

### 1.2.4 Limitations of the analyses and empirical research

The analysis of MS2014+ secondary data was carried out cross-sectionally for selected operational programmes and in aggregate for selected operational programmes. However, the individual priorities and measures of the programmes are very diverse, the supported projects differ in scope and typology of beneficiaries and target groups. For this reason, there are, for example, significant differences in the success rate of supported projects between the different operational programmes. However, when applying this analytical approach to all regions in the Czech Republic, some obvious differences in the level of activity of potential applicants can be drawn with obvious links to the potential regional absorption capacity.

The empirical research was carried out according to the terms of reference in a relatively short period of time on a limited number of respondents. The first limitation of this approach is the time period when the empirical research was conducted, February and March 2023, when many of the communication activities under the PJT were still in the preparatory phase and therefore respondents logically felt a greater degree of lack of necessary information. The second limitation of the empirical research is the scale, where units of interviews were conducted with selected types of respondents within the regions. For example, five interviews were conducted with representatives of smaller municipalities in each coal region. Thus, the results of the empirical research provide an in-depth insight into the situation of smaller entities in the transition regions, but they do not and cannot cover all sub-areas of the regions. For this reason, regional workshops were carried out to both verify and possibly extend the findings.

## 2. EVALUATION OF THE ESIF SPENDING TO DATE AND REVIEW OF EXISTING EVALUATION REPORTS ON COAL REGIONS

### 2.1 Basic information on MS2014+ data analysis

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Chapter 2 focuses on the spending of ESIF funds and the number of implemented projects according to monitoring system data from 2014-2020 (MS2014+) and desk-research of existing analyses, studies and evaluations related to absorption capacity in Czech coal regions. The evaluation consists of the following:

- 1) **Absorption capacity according to the spending of funds**
- 2) **Absorption capacity by number of implemented projects and legal form of applicants and beneficiaries**
- 3) **Analysis of ESIF absorption at the Czech regional level for IROP, OPT, OPE, OPEIC, and OPRDE**
- 4) **Review of previous surveys, analyses and evaluations on ESIF in relation to coal regions**

For OP Employment, data were only available at the regional level and are therefore not included in this analysis. Two groups of projects are distinguished from the monitoring system data, which were categorized according to their implementation status recorded in MS2014+:

- "In progress" includes project codes (e.g., PP20 - PP29 + PU21, PU27, PU30, V2, V5, Z1)
- "Approved" includes projects in status codes PP30-PP43

### 2.2 Assessment of absorption capacity by spending of funds

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#### 2.2.1 Analysis of the absorption capacity according to the current spending of selected operational programmes - OPEIC, OPE and IROP

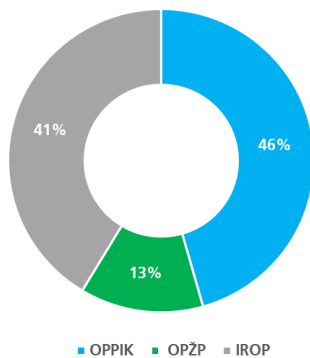
This sub-section provides an analysis of the use of funds from selected operational programmes (OPEIC, OPE and IROP) during the 2014-2020 programming period in the Moravian-Silesian, Ústí and Karlovy Vary Regions (hereinafter referred to as "coal regions"). Within the framework of the programmes outlined above, projects with a total financial volume of CZK 87.53 billion were implemented during the period under review. A total of CZK 9.38 billion was in the "work in progress" status, which represents 5.21% of the total volume of all submitted applications. The text and individual

analyses below focus primarily on approved projects. The differences between the different OPs are mentioned later in the analysis.

Figure 1 shows the distribution of funding allocated across OPEIC, IROP and OPE, which was allocated among the actors operating in the coal regions of the Czech Republic. **OPEIC provided the largest funding volume:** 39.91 billion CZK (46% of the total funds). Within IROP, 41% of the total funds were spent, amounting to CZK 36.21 billion in absolute terms. The remaining 13% of the funds were further reallocated under the OPE (CZK 11.41 billion).

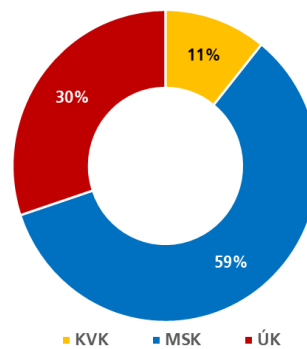
Figure 2 shows the use of funds by individual regions. The imbalance is influenced by their different size and population, where there is a **correlation between the number of inhabitants and the amount of allocated funds**. Most of the total allocated support (59%, CZK 51.72 billion) was provided to actors operating in the Moravian-Silesian Region. 30% (CZK 26.36 billion) was redistributed within the Ústí Region and the remaining 11% (CZK 9.45 billion) was allocated to the Karlovy Vary Region. In the following sections, the individual operational programmes and their absorption within the coal regions of the Czech Republic in the 2014-2020 programming period are further analysed.

**Figure 1: Split of OPEIC, OPE and IROP approved applications in coal regions of the CR in the 2014-2020 programming period**



Source: own calculations based on MS2014+ data (January 2023)

**Figure 2: Split of OPEIC, OPE and IROP spending by coal regions of the CR in the 2014-2020 programming period**

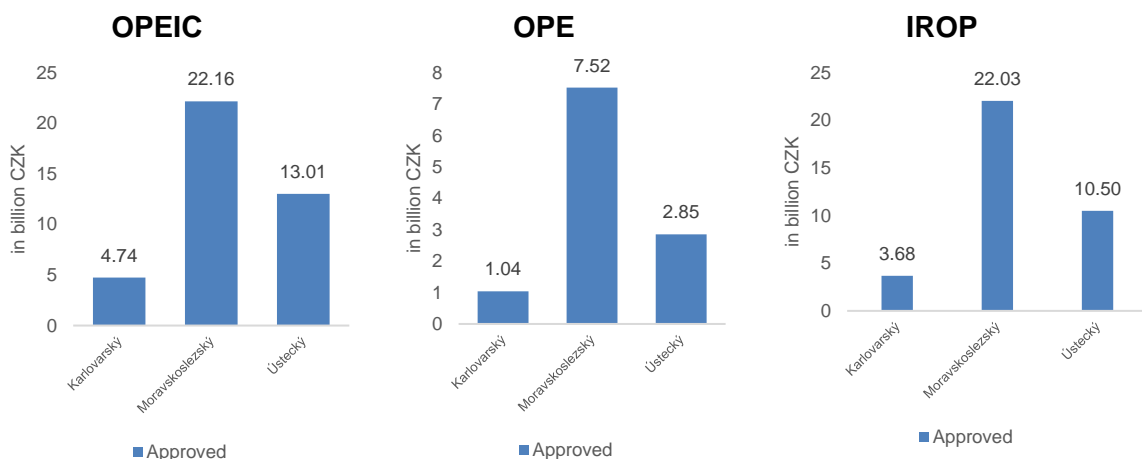


Source: own calculations based on MS2014+ data (January 2023)

### 2.2.1.1 Analysis of spending by selected operational programmes (OPEIC, OPE, IROP)

This sub-section presents a summary of findings from the analysis of the situation of absorption in individual selected operational programmes, i.e., OPEIC, OPE and IROP. Figure 3 shows the overall status of approved applications for these operational programmes.

**Figure 3: Status of approved project applications under OPEIC, OPE and IROP over the 2014-2020 programming period (in CZK billion)**



Source: own calculations based on MS2014+ data (January 2023)

Applicants from the Moravian-Silesian, Ústí and Karlovy Vary Regions applied for a total of CZK 99.82 billion **under OPEIC**. Thus, **41%** (CZK 39.91 billion) of the total volume of applications **was allocated**. Among the individual coal regions, the Karlovy Vary Region had the lowest allocation of OPEIC funds (logically due to its size), but when calculating the approved funds to the total financial volume of project applications, it achieved the best result with 44.5% of approved projects.

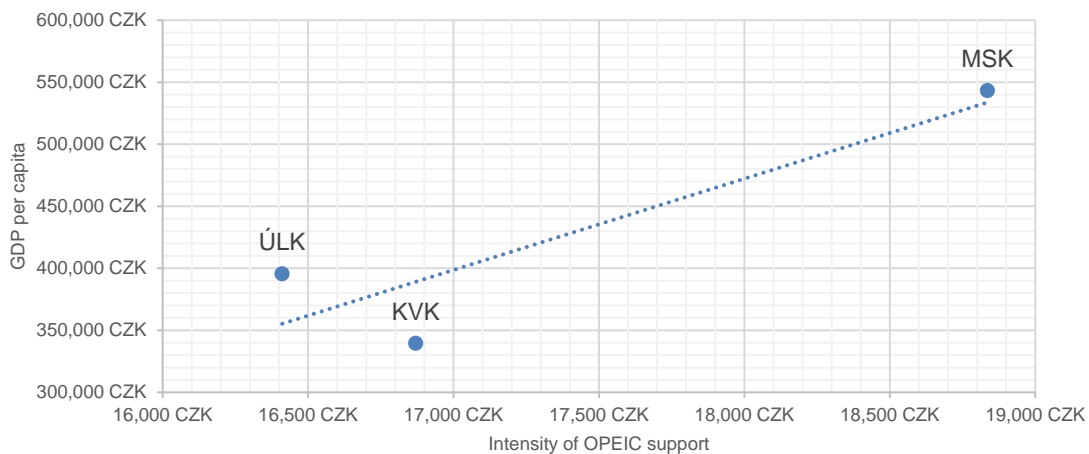
In the 2014-2020 programming period, project applications with a total financial volume of CZK 28.03 billion were submitted **under the OPE**. In the case of OPEIC, the volume of submitted project applications was significantly higher than the volume of funds in the Moravian-Silesian and Ústí Regions. Also, in the case of IROP, the dominant position of the Moravian-Silesian Region in the volume of submitted project applications is evident.

A total of CZK 52.01 billion was requested **under IROP** in the 2014-2020 programming period. Thus, **69%** of the total amount of funds (CZK 36.21 billion) was **allocated**. When comparing the situation in individual coal regions, it was again possible to observe the dominant position of the Moravian-Silesian Region in the volume of submitted project applications. The Karlovy Vary Region showed the lowest allocation of IROP funds also in the case of IROP; however, in the ratio of approved funds to the total financial volume of project applications it reached a very high level of successfully approved projects (i.e. approved 73% of the volume of funds)<sup>4</sup>

The TA team analysed in detail **the distribution of allocated funds in each coal region at the level of individual municipalities and AD MEPs**. When comparing the situation of spending in the selected operational programmes (OPEIC, OPE and IROP), significant differences in spending rates within each coal region emerged. In the case of OPEIC, the concentration of spending was confirmed especially in the highly urbanised areas of the Ústí and Moravian-Silesian Regions. High intensity of support was confirmed in the urbanised belt of the Podkrušnohoří region, as well as Ostrava and Frýdek-Místek in the Moravian-Silesian Region. In the case of the OPE, the areas of medium-sized and larger cities such as Ostrava (MSK), Kopřivnice (MSK), Karlovy Vary (KVK) showed a high level of uptake. In the case of per capita values, the most intensive support from the OPE was reported in the municipalities of the Ústí Region. In the case of the IROP, the largest beneficiaries were also usually larger cities such as Ostrava (MSK), Ústí nad Labem (UK), Opava (MSK) or Frýdek-Místek (MSK). While in the case of per capita values, the most intensive support from the IROP was achieved by the municipalities of Chlum Svaté Máří (KVK), Starý Šachov (UK) and Staré Heřminovy (MSK). The average size of a project was highest in the Moravian-Silesian Region and the projects with the lowest average size were submitted by applicants from the Karlovy Vary Region.

Figure 4 maps the intensity of OPEIC support and the position of the coal regions in terms of GDP/capita. **MSK is clearly in a better position in terms of both OPEIC support and GDP/capita compared to the situation in UK and KVK**, which have demonstrated a lower absorption capacity for project implementation.

**Figure 4: Intensity of support from OPEIC 2014-2020 per capita vs. GDP per capita in 2021**



Source: own calculation based on MS2014+ data (January 2023)

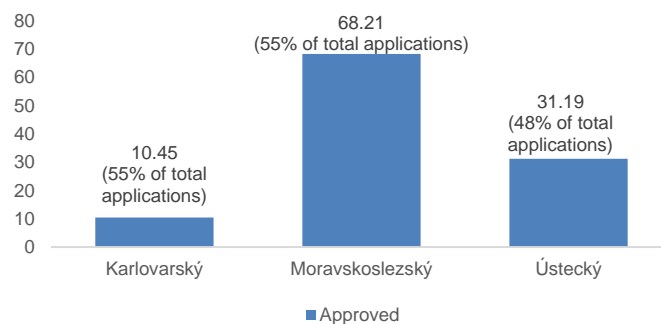
<sup>4</sup> The success rate was 70% in the Moravian-Silesian Region and 68% in the Ústí Region.

### 2.2.2 Summary analysis of IROP, OPT, OPE, OPEIC, OPRDE spending for the period 2014-2020 in coal regions of the Czech Republic

This section outlines the main findings related to the use of financial resources from IROP, OPT, OPE, OPEIC and OPRDE in the 2014-2020 programming period in the coal regions of the Czech Republic.

A total of CZK 208.56 billion was requested in the Moravian-Silesian, Ústí and Karlovy Vary Regions in the framework of the above-mentioned programmes. **53% (CZK 109.85 billion) of the total amount of funds requested were allocated.**<sup>5</sup> Figure 5 reports the approval and rejection amounts of project applications for each coal region. **Moravian-Silesian and Karlovy Vary Regions had a higher approval rate and, respectively, a higher success rate of applicants compared to the Ústí Region.** In terms of redistributed funds, the Moravian-Silesian Region was dominant.

**Figure 5: Approved project applications under IROP, OPT, OPEIC, OPE and OPRDE (in CZK billion)**



Source: own calculations based on MS2014+ data (January 2023)

Furthermore, the TA team assessed the **approved funds from IROP, OPT, OPE, OPEIC and OPRDE** for the 2014-2020 programming period in coal regions by municipalities and AD MEP. As in the previous analysed programmes, **an internal regional differentiation was identified, both at the level of AD MEP and individual municipalities.** In terms of absorption in AD MEP, the Moravian-Silesian MEP Ostrava, Frýdek-Místek, Opava and Třinec are very significant in absolute terms. On a per capita basis, in terms of the intensity of support, the most of the funds went to MEP Třinec and Kopřivnice (MSK) or Podbořany (UK). On the other hand, the MEPs with the lowest intensity of support per capita were the Moravian-Silesian MEP Orlová and Kravaře or the MEP Kraslice and Ostrov in the Karlovy Vary Region.

### 2.2.3 Summary analysis of IROP, OPT, OPE, OPEIC, OPRDE for the Czech Republic by AD MEP

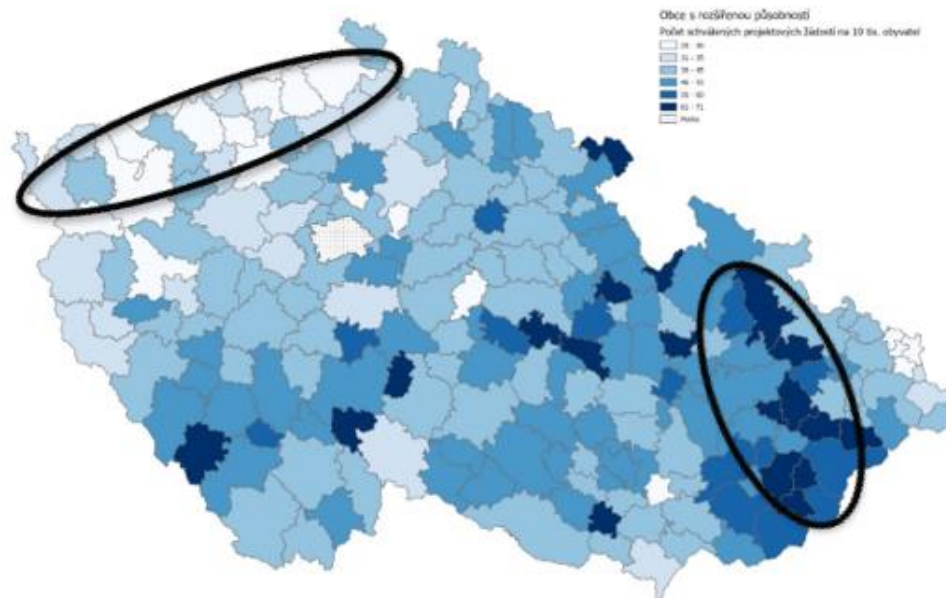
This sub-section focuses on the main findings from the evaluation of the absorption of IROP, OPT, OPEI, OPEIC, OPRDE for the whole of the Czech Republic by MEP. Analysis by MEP can help to explain partial intra-regional differences.

From the perspective of absorption within the Czech Republic, three MEPs in the largest cities (Brno, Ostrava, Plzeň) are significant. However, on a per capita basis, the most intensive support was provided to the MEP Týn nad Vltavou (South Bohemia), Velké Meziříčí (Vysočina region), Vlašim (Central Bohemia) and Lipník nad Bečvou (Olomoucký region). **The per capita conversion shows that, proportionally, most of the funds do not flow to the large regional cities. On the contrary, significant differences in the level of absorption can be identified between the different parts of the territory.**

Figure 6 provides an overview of the **number of approved project applications for IROP, OPT, OPE, OPEIC and OPRDE per 10,000 inhabitants.** The most successful MEPs were in the Zlín Region and MEPs in the Moravian-Silesian Region on the border with the Olomouc Region. On the other hand, low numbers of approved project applications were in the **sub-Ore-Mountains belt.**

<sup>5</sup> A total of 6 % of the funds were in "In Progress" status - see chapter 2.1.

**Figure 6: Number of approved project applications for IROP, OPT, OPE, OPEIC, OPRDE (per 10,000 inhabitants)**



Source: own processing according to MS2014+ data (January 2023)

## 2.3 Assessment of absorption capacity by number of projects implemented and legal form of applicants and beneficiaries in coal regions

### 2.3.1 Number of projects by AD MEP in coal regions for IROP, OPT, OPE, OPEIC, OPRDE

In addition to the statistics concerning the financial absorption from IROP, OPT, OPE, OPEIC and OPRDE, it is also relevant to highlight the statistics of the numbers of submitted and approved projects. These data indicate the readiness of each type of actor to implement specific activities in a given area. In this section, the numbers of projects are identified by the territory of each AD MEP in the coal regions.

**In terms of the number of projects (i.e., submitted and finally approved) per capita, the individual AD MEPs in the Karlovy Vary Region do not differ significantly from each other.** The highest total number of submitted projects was recorded in AD MEP Sokolov and Kraslice (amounting to approximately 6 projects per 1,000 inhabitants). This is followed by AD MEP Mariánské Lázně with 4 projects per 1,000 inhabitants. In terms of the number of finally approved projects per capita, the highest numbers were recorded in AD MEP Sokolov, Kraslice, Cheb and Aš.

**However, in the Ústí Region, there are more significant differences between the individual AD MEPs in the number of submitted and approved projects per capita.** The highest number of projects was recorded in AD MEP Rumburk and AD MEP Lovosice (nearly 8 projects per 1,000 inhabitants). On the other hand, AD MEP Chomutov and AD MEP Teplice achieved the lowest number of projects with about 4.5 projects per 1,000 inhabitants. The highest number of finally approved projects per capita was recorded in AD MEP Rumburk, followed closely by AD MEP Kadaň and Lovosice.

**In the Moravian-Silesian Region, there are very significant differences between the individual AD MEP in the number of submitted and approved projects.** The highest number of submitted projects was recorded in Bruntál, Odry and Vítkov, (i.e., more than 10 projects per 1,000 inhabitants). The lowest number of submitted projects per capita is in AD MEP Český Těšín, AD MEP Karviná and AD MEP Orlová with about 4 projects per 1,000 inhabitants. The highest number of finally approved projects per capita was recorded in Bruntál, followed closely by Vítkov and Rýmařov.



### 2.3.2 Number of projects by legal form of applicants at the level of the AD MEP in coal regions for IROP, OPT, OPE, OPEIC, OPRDE

The MS2014+ data monitoring system enables us to identify the distribution of the number of projects and the total financial allocation in relation to the legal forms of applicants/beneficiaries.

**In all three coal regions, it was confirmed that NGOs, which are often functionally dependent on funding sources from individual programmes, are the most successful applicant type.** Enterprises are the second most successful. **Municipalities and the public sector reported the lowest number of approved projects per capita**, which is due to their larger financial scope (e.g., infrastructure).

## 2.4 Review of previous surveys, analyses and evaluations on ESIF in relation to coal regions

This section builds on the analysis of hard data of the ESIF monitoring system and integrates existing qualitative findings related to the implementation of ESIF in coal regions. An across-the-board marketing survey was conducted by STEM/MARK at the end of 2021, focusing on the general public's awareness of the implementation and importance of ESIF in the regions. In addition, the key context and findings of two ISFC (International Sustainable Finance Centre) studies are summarised and evaluated, which focused on mapping the preparation process of Just Transition in the Czech Republic, particularly in the Ústí Region. Furthermore, the findings from the interim report of the Outcome Evaluation of the Benefits of EU Funds in the Moravian-Silesian Region in the 2014-2020 programming period, which was prepared by Ernst & Young, s.r.o. in January 2023, are evaluated.

### *Evaluation of the awareness of ESIF in the North-West and Moravian-Silesian regions according to the survey in December 2021 by STEM/MARK*

- The public opinion poll conducted showed a **strong general awareness of EU funds**, which is not surprising in the context of the upcoming 20th anniversary of the Czech Republic's EU membership.
- The detailed results of how respondents view the **functioning and benefits of the ESIF in the Czech Republic indicate less positive results**, especially in the case of coal regions.
  - Regarding the perception of the positive level of contribution of ESIF funds to the life of the Czech Republic population, it is possible to observe better results at national rather than regional or local level. **Respondents believe that the positive contribution is greatest at the national level, then it is lower in a particular region, and finally it is lowest when it directly affects a particular respondent..**
  - The perception of ESIF benefits in the Moravian-Silesian Region is almost identical to the national average in all three levels (i.e., national, regional, individual).
  - **However, these values are significantly lower for the Karlovy Vary and Ústí Regions, indicating a weak level of positive benefits.** In the **North-West Region, there is lower trust in the transparency of the processes** related to ESIF spending (18% compared to the national average of 21%).
- Overall, the survey shows that perception of the level of positive ESIF benefits is significantly lower in the Karlovy Vary and Ústí Regions compared to the national average, which is also accompanied by lower trust in the transparent setting of the relevant processes. By contrast, the Moravian-Silesian Region shows average values (or slightly below average) in the Czech Republic and is therefore in a better position in terms of strengthening absorption capacity.

### *Evaluation of the ISFC International Sustainable Finance Centre focused on mapping the situation of the preparation of the process of just transition in the Czech Republic*

The International Centre for Sustainable Finance (ISFC) has published two studies in the last two years that focused on the issue of preparation and implementation of the Just Transition process in the Czech Republic, including some coverage on the issue of absorptive capacity. The first study by ISFC (2021)<sup>6</sup> mapped the preparation of the Just Transition process in the CR. This study shows that individual regions perceived the issue of absorption capacity as important; for this reason, they had already established online platforms for project submission and technical support during

<sup>6</sup> ISFC (2021). Uncertainties and Opportunities for a Just Transition: Mapping Implementation in the Czech Republic. International Sustainable Finance Centre, February 2021.

the preparation of the relevant documentation and initial analytical documents. The second ISFC study (2022)<sup>7</sup> directly focused on the absorption capacity of municipalities, SMEs and NGOs in the Ústí Region. The report first identifies the baseline status of key actors, i.e., SMEs, NGOs and municipalities (see ISFC, 2022, pp. 2-3).

- **For SMEs, the situation in the Ústí Region** is different from other regions because there are fewer registered SMEs per capita, a consequence of the **long-term lack of diversification of the economic structure** of the region and the weak level of innovative activities. The long-term presence of large enterprises is a characteristic feature of the Ústí nad Labem Region.
- **The non-profit sector is not sufficiently developed in the Ústí Region.** This negatively effects the potential to solve relevant socio-economic problems and socio-pathological phenomena.
- According to the ISFC study (2022), **municipalities in the Ústí Region are significantly affected by their geographical location.** These are the municipalities in the coal basin directly affected by the transition steps, whose socio-economic level is closely linked to the performance of the transformation industries in the energy sector. Conversely, other municipalities are only indirectly affected (e.g., municipalities in recreational areas) in terms of their attractiveness influenced by the image of the region as a whole.

*Main findings of the evaluation of the benefits of EU funds in the Moravian-Silesian Region in the 2014-2020 programming period by Ernst & Young (January 2023)*

In January 2023, Ernst & Young published its partial study from the Outcome Evaluation of the benefits of EU funds in the Moravian-Silesian Region in the 2014-2020 programming period. This study focused primarily on evaluating the benefits of EU fund interventions at the level of the Moravian-Silesian Region, which was compared with other regions of the Czech Republic.

- According to the EY study (2023), the **Moravian-Silesian Region has very good long-term strategic leadership, which ensures a good trajectory of socio-economic development,** strengthening growth and competitiveness.
- The region is very good at utilising certain advantages (e.g., RESTART or advantages for boiler subsidies) and especially good at using the ESIF funds in an appropriate way. Another advantageous for promoting coordinated development is **"a long-term stable political situation and strong enthusiastic regional actors"** (see EY, 2023, p. 30).
- The aforementioned platforms and the region's strong agency/institutional system has long strengthened the region's absorptive capacity (e.g., MSIC Innovation Centre, PACT Employment and other functional agencies).
- With regard to the institutional environment of the region, it can be observed that **the cooperation between the main actors in the region is very well established, which in the long term will help to build a trustworthy environment** for their mutual cooperation.
- The findings regarding the level of disbursement are broadly consistent with the conclusions of this report.
- However, the **phenomenon of administrative complexity and bureaucracy** was highlighted in relation to absorption capacity (EY, 2023, p. 173). These aspects have been assessed in greater detail by the TA team's empirical research in the next chapter of this report.

### 3. RESULTS OF EMPIRICAL RESEARCH

The main part of this report evaluates the findings and insights from the empirical research. Section 4.2 synthesizes the main lessons for strengthening the absorptive capacity of small actors in coal regions according to the results of the empirical research and the regional workshops.

Chapter 3 is structured according to the five groups of respondents in the guided interviews:

- Section 3.1: Experts at the national level and regional representatives
- Section 3.2: Representatives of the LAGs
- Section 3.3: Representatives of beneficiaries - municipalities (usually mayors, deputy mayors)
- Section 3.4: Beneficiary representatives - NGOs and schools (primary, secondary and higher education)

<sup>7</sup> ISFC (2022). From sustainable investment to equitable transformation: a case study of the Ústí Region. International Sustainable Finance Centre, March 2022.

- Section 3.5: Beneficiary representatives - enterprises

### 3.1 Absorption capacity from the perspective of national level experts and regional representatives

Interviews were conducted with representatives of the following institutions, focusing on JTF issues from the perspective of experts at the national level and representatives of the regions:

- Centre for Transport and Energy (NGO)
- Chairman of the SMS CR in ÚK, Mayor of Dolní Zálezly
- ProFaktum, s.r.o. (expert consulting company)
- Moravian-Silesian Region (Member of the Commission for Strategic Development, Head of Strategic Planning, Project Manager)
- Karlovy Vary Region (Head of Department, Secretariat of the Regional Standing Conference, Head of Strategic Planning and Regional Development)
- SPOV - Association for the Renewal of Rural Areas (member of the Board of the Society for ÚK and Mayor of Brozany nad Ohří)
- Regional Chamber of Commerce of the Ústí Region (1st Vice-Chairman of KHK ÚK)

A total of seven interviews were conducted with actors in this group of respondents.

#### 3.1.1 Perceptions of the role and importance of smaller actors in the transition of coal regions

##### The view of experts at the national level and representatives of the regions:

- The role of SMEs is important for diversification;
- Small projects to complement large comprehensive measures;
- The identified lack of a regional development agency (RDA) in the Karlovy Vary Region;
- The spectrum of subsidies - different schemes - is often not clear;
- Ability to implement projects without support - municipalities (40-80%), companies (60-75%), NGOs would do nothing without support.

Regarding the perceived role and importance of smaller actors in the transition of coal regions, respondents agreed on their importance. However, their responses to this question varied according to their focus. In terms of economic impact on the coal regions, the **role of SMEs is important to diversify the economy and improve the innovation processes in the regions**. Respondents also stressed the importance of small projects as a **complement to large comprehensive measures**. According to a ÚK representative, small projects are also important in terms of employment support, but in his opinion, such projects are missing in the PJT (e.g., training projects for small enterprises that are indirectly/indirectly linked to mining or for innovative development enterprises, including support for "small" R&D).

In the opinion of the experts interviewed, small project options represent a significant development opportunity for municipalities, but in the spring of 2023 (i.e., at the time of the empirical survey), information about these FST support opportunities was very limited. Respondents' experiences with municipalities suggest that the **size of the municipality and the associated size and professionalism of the apparatus play a very important role**. This is especially negatively reflected in small municipalities. However, **some small municipalities are able to manage these processes. Subsidies are often opaque for municipalities** and therefore they positively evaluate any possibilities of clear and simple information on subsidy possibilities. Due to the complexity of the rules and the administrative burden of EU-funded projects, small municipalities tend to prefer regional or national grants. Another issue highlighted by the respondents is a certain "slowness" of municipalities related to decision-making processes (municipal council meetings).

From the perspective of experts at the national level and regional representatives concerning the business sector, their **experience with SMEs is positive. In their opinion, SMEs are able**

**to adapt quickly.** Representatives of the Karlovy Vary Region mention subsidy management, consultations, formal inspections as important services for enterprises. They **mention the lack of RDA in the Karlovy Vary Region as a disadvantage for the implementation of PJT compared to the ÚK and MSK.**

### 3.1.2 Potential barriers to the preparation and implementation of projects and their funding needs

#### The view of experts at the national level and regional representatives:

- The biggest problem is administration;
- Smaller municipalities have a shortage of skilled human resources;
- Time-consuming preparation of project plans, control and audit of projects;
- The importance of subsidies was confirmed for all types of stakeholders;
- The growing potential of vouchers.



Respondents could choose from a number of options when asked what complications and problems they encounter most when planning/implementing the activities or projects mentioned. The **most significant problem for municipalities** was the **administration associated with the project**, followed by problems related to funding and support options, complications in securing (co-)financing, the time required to prepare project applications and the time required to administer support applications. A lack of qualified human resources confirms the disadvantageous situation, especially for small municipalities.

When identifying the **biggest problems for enterprises**, four respondents agreed on the time required to prepare project applications. Of the other options, they selected "*Time limits for the administration of support applications*" as the second most important. Respondents agreed that understanding the rules for preparing applications is not a problem for enterprises, but that **inspections and their mixed results** are more problematic. For **small enterprises** with only a few employees, it is necessary to **use consultancy services**, or they may not consider public support at all due to the administrative and financial burden.

In relation to **the non-profit sector**, it appears that NGOs have, in the opinion of experts at national and regional level, considerable experience with funding applications and do not perceive such a major problem.

When responding to the question on **the importance of the forms of financing for individual entities, respondents agreed that subsidies** were the most important for municipalities (six out of seven respondents), enterprises (five out of seven) and NGOs (four out of seven).

- For municipalities, respondents also cited a voucher (five out of seven), and three cited a combination of a loan and a grant. Only two respondents believe that a soft loan and counselling, coaching, mentoring are appropriate for municipalities. Other forms of support were not mentioned by any of the respondents.
- For entrepreneurs, respondents also mentioned a combination of loans and grants (five out of seven), vouchers (four out of seven), soft loans and consultancy, coaching and mentoring (three out of seven), guarantees (two out of seven), and, to a limited extent, direct capital injection and development (venture) capital as suitable forms of support.
- For NGOs, in addition to subsidies, respondents consider vouchers, discounted credit and counselling, coaching and mentoring as appropriate support (2 of 7).
- In terms of different forms of support, four respondents mentioned the **potential of vouchers**. Although this is a new form of support, it could be beneficial, especially in the preparation of municipal projects.

### 3.1.3 Opportunities for improvement - training needs, advice, 2021+ project plans and recommendations from the perspective of national experts and regional representatives

#### The view of experts at the national level and regional representatives:

- Need for basic information on PJT;
- Improve the level of understanding for the whole system of the process of Just Transition;
- The topic of Just Transition needs to be further communicated.



The next part of the interviews focused on training needs in relation to PJT, but also more generally in terms of project preparation and implementation. The main findings included:

- **According to the interviews, a need for basic information on the PJT itself strongly emerged**
- Several **themes** related to project preparation: environment, education and retraining and business development
- Perhaps somewhat surprisingly, less emphasis is placed on topics related to project preparation as a sub-phase in project management.

There were a total of four respondents who had overall comments. They are concerned about **understanding the full system and welcome all education and information activities**. They understand that the size of the actors and their specific knowledge *"matters in the preparation of projects. Some will have no problem with anything, others with everything."* **KVK representatives welcome the full breadth of operational programmes and funding sources, not just PJT**. In general, **respondents agree on a good delimitation of topics for trainings**.

Regarding small projects, **respondents agree that guidance for municipalities in terms of methodological support is important** (five out of seven respondents) and **project focus** (four out of seven). Only two respondents mentioned financing options (grants, soft loans, venture capital, etc.). For enterprises, respondents said methodological support was most important (five out of seven), while advice on project focus with potential for support and financing (grant, soft loans, venture capital, etc.) was favoured by three respondents. In terms of advice to NGOs, methodological support dominates (five out of seven), followed by financing (three out of seven) and advice on the focus of projects (two out of seven).

Respondents indicate that, according to their experience, the greatest interest for support in the programming period 2021-2027 will be within the OPE (five out of seven), OPJAK and IROP (four respondents), OPTAK, the Strategic Plan of the Common Agricultural Policy 2023-2027 (formerly RDP) and the Modernisation Fund (three out of seven). In their comments, respondents indicate that the greatest potential for municipalities is IROP and also the Modernisation Fund with OPE. For enterprises, OPTAK and possibly the Modernisation Fund are most important.

Additional comments from the respondents included the following items:

- There is a complete lack of focus on the social sector.
- Simplicity was promised under PJT.
- Insufficient staffing of regions, insufficient involvement of small municipalities.
- Capacity for transformation agencies is important, but it needs to be done in a systemic and long-term way. Building trust and communicating among partners is important.
- Greater coordination - so that individual municipalities do not have to solve the same problem over and over again in their own way.
- Better communication and information. Municipalities are not sure what they can get money for and whether they can get money at all.
- One respondent appreciated the inclusion of the PJT under the responsibility of the MoE.
- The proximity of UK and KVK due to Germany should be exploited to take advantage of their industrial character, and to institutionally and personally secure their transformation.
- The theme of Just Transition needs to be communicated more to the territory. Those working on the topic often mistakenly assume that everyone understands the Just Transition. However,

consultations with business and other stakeholders show that this is not the case.

- It is important that projects meet the overall transition objective.
- To count more on the time aspect, the continuity of different activities.

### 3.2 Absorption capacity from the perspective of LAG representatives

Interviews focused on JTF issues from the perspective of LAG representatives (usually directors, managers, project managers) were conducted in all three regions. These included nine LAGs:

- LAG Sokolovsko - Karlovarský kraj
- LAG Krušné Hory - Karlovy Vary Region
- LAG Vladař o.p.s. - Karlovarský, Ústecký and Plzeňský (LAG covers the territory of all three regions)
- LAG Labské Skály - Ústí Region
- LAG Cínovecko - Ústí Region
- LAG Czech North - Ústí Region
- LAG Opavsko (also represents the national network of LAGs) - Moravian-Silesian Region
- LAG Jablunkovsko - Moravian-Silesian Region
- LAG Pobeskydí, z. s. - Moravian-Silesian Region

#### 3.2.1 Perceptions of transition and the capacity of individual actors to prepare projects

##### The view of LAG representatives:

- The role of the LAG is to bring together various actors in the area;
- Added value through information and cooperation with municipalities and partners;
- A greater overview of own territory;
- NGOs have the best capacity to prepare projects ;
- The importance of the human resources available to the applicant.



In the first part of the interview, respondents were asked to comment on the role and importance of LAGs in the ongoing transition processes. Their comments suggest that **LAGs can be very useful if the resources and competences exist, and at the same time they actively act as a coordinating institution in their defined territory.** According to the chairman of the LAG, **the role of these actors should be crucial in the process of Just Transition, which is not the case at the moment.** LAGs focus on programmes that enable integration.

The theme of transition is considered very important by respondents, as is the support of smaller actors - for example by providing assistance with the development and submission of project applications. **The LAG expects to assist municipalities and other members with applications under thematic calls,** but the issue is assistance with the subsequent administration of projects. In terms of the potential for cooperation between actors within the LAG with specific regard to the need and progress of just transition, LAG representatives interviewed across all coal regions agreed on the lack of awareness of the PJT. According to the regions, it further follows that:

- **Respondents from the LAGs in KVK** evaluate the cooperation within their LAG very positively. However, this activity is not linked to Just Transition as this is yet to take concrete form. Concrete topics tend to be delivered to the region by cities, small municipalities do not have sufficient capacity to do so.
- **According to respondents from the LAGs contacted in ÚK,** this topic is not yet sufficiently reflected, which is also influenced by low awareness. This may be influenced by the nature of the area in which the LAG is located and the activities that predominantly take place there (agriculture in the Poohří versus mining areas).
- **According to respondents from the LAGs contacted in MSK, LAGs are still more of an observer.** Although they have been given opportunities to comment on the JTF proposals, further intensive cooperation is not taking place, which may be related to low awareness of the PJT. However, the landscape is also diverse as some municipalities and enterprises are cooperating more.

Another question focused on the added value of LAG activities in relation to Just Transition.

- According to representatives of LAGs in the KVK, LAGs play their role in the territory by **informing and cooperating with municipalities and partners on selected and necessary topics**.
- According to representatives of LAGs in MSK, LAGs try to educate, organise educational seminars, and thanks to the projects they implement, they significantly help change the environment for the better. **LAGs have an advantage in their greater overview of their territory** (thanks to close communication with municipalities, entrepreneurs, NGOs).
- According to the representatives of LAGs in ÚK, the main problem is the insufficiently defined conditions and rules; it is therefore a question of what LAGs should actually convey to the actors in the territory and what they should inform them about.

Regarding the division of hard and soft projects, **respondents see a bigger problem in the focus of soft projects**. For hard projects, the **need for additional components of the application**, such as a feasibility study, may be a problem. Respondents would like to see more support for consultancy (funded by EU programmes) and streamlining of the application through the use of modern technologies. Respondents stress the importance of the human resources available to the applicant.

### 3.2.2 Potential barriers to project preparation and implementation and funding needs

#### The view of LAG representatives:

- Municipalities - great importance of the extent of human resources;
- A significant barrier - for companies, lack of knowledge on financing options;
- For NGOs - time-consuming project preparation and (co-)financing;
- Overwhelming preference for subsidies. Concessional loans are also suitable for enterprises. Vouchers are a good idea but lack significant experience.



The next part of the interviews focused on identifying barriers to project preparation and implementation according to individual groups of stakeholders, i.e., municipalities, enterprises and NGOs. Respondents selected from the options of previously identified barriers.

As far as **municipalities** are concerned, human resources are critical. Respondents also overwhelmingly agreed on the time-consuming nature of preparing project applications. On the other hand, complications in securing (co-)funding) was identified as a barrier by only one respondent. In the 'Other' option, respondents could list other barriers; four respondents used this option. In their opinion, resistance to the focus of subsidies (e.g., opposing green policies), numbness from too much bureaucracy, long-term unpredictability, and the often lack of conformity in the rules of the EU programmes implemented by the Czech public administration could be additional barriers.

For **enterprises**, respondents identified lack of knowledge of financing options and again, as with municipalities, lack of qualified human resources as the most significant barriers. Six of the nine respondents agreed on these barriers. Complications in securing (co-)financing and problems with suppliers emerged as the least problematic areas from the interviews. Respondents reported that enterprises mostly hire consultancies. LAGs work mainly for small entrepreneurs and small farmers and for them the level of co-financing plays a significant role.

For **NGOs**, the most frequently mentioned barrier is the time-consuming preparation of project applications, mentioned by 5 of 9 respondents, and complications with securing (co-)financing (4 of 9). In their comments, respondents again highlighted problems with co-financing. Unlike municipalities and enterprises, respondents reported that NGOs are better off in terms of human resources.

**Overall, respondents point to problems associated with public procurement (administrative complexity) and excessive bureaucracy, which may discourage project submissions.**

According to the findings on the perception of the appropriate forms of funding and support for project applications there is a **dominant preference for subsidies for all three types of entities**. The second most appropriate form of support for municipalities, according to respondents, is a voucher. **Soft loans are also suitable for enterprises, followed by vouchers. For NGOs,**

**vouchers are also a possible form of support**, but they lag subsidies by a wide margin. **Vouchers are generally perceived as a good idea, but LAGs have limited experience with them to date.** A somewhat surprising finding from the sub-analysis of the empirical survey results is that respondents do not consider either guarantees or a combination of loan and grant as a good form of support for enterprises. This is probably due to the fact that LAG representatives primarily have experience in providing or intermediating grant funds.

### 3.2.3 Opportunities for improvement - training needs, consultancy, project plans 2021+ and recommendations of LAG representatives

#### The view of LAG representatives:

- The most important topics of the training: content preparation of the project, project phases;
- Roles and responsibilities of partners, key success factors;
- In other words, a strong emphasis on project management.
- LAGs play an important role for networking in the territory. The advisory/ consultancy agenda should be provided by commercial consultancies.



The next part of the interview focused on training needs in relation to PJT, but also more generally in terms of project preparation and implementation. The respondents' answers indicate that the most important **topics for training include**: project content preparation, project phases, roles and responsibilities of partners, key success factors; link to strategies, long-term impact, sustainability; environment and climate, including energy and public procurement. Although the interviews revealed a lack of knowledge of PJT to date, a minority of respondents agreed on the need for training on these topics. It can therefore be summarised that there is a perceived significant lack of knowledge in project management from the perspective of LAG representatives.

In addition, the interviews focused on **topics needed for consultancy in the preparation of small projects**. Respondents were less responsive to the situation of municipalities. The most important topic of advice for supporting small projects in municipalities was methodological assistance in filling out the application (6 of 9 respondents), followed by the topic of "targeting projects with potential for support". For enterprises, they consider the topics "methodological assistance in filling in the application" and "funding opportunities" as appropriate. For NGOs, the topic 'focusing on projects with potential for support' also received the most support from respondents.

Regarding the **evaluation of LAG activities in the processes of education and counselling**, respondents agreed that LAGs play an important role in the territory in mediating information, mutual communication between subjects and networking. Consultancy should be provided by commercial enterprises, as LAGs do not have the staff capacity to do this. However, they often provide these services (to some extent).

In the last part of the interview, respondents added further comments, including:

- It would be advisable to provide more information about the current status of the PJT about once a month (for municipalities, and possibly for all entities): announcements about calls, vouchers, timetable, etc.
- Simplify administration. Do not invent unnecessary complications, focus on the objective/vision of the programme so that the requirements are in line with the objective and use of local resources.
- Support local cooperation, which is not yet sufficient; funding is not concentrated to ensure a substantial impact on the territory.
- Deepen the limited cooperation between regions and LAGs.
- One of the biggest challenges is human resources (capacity and quality) - to encourage human resource skills through training.
- The political representation in UK lacks a vision, a long-term direction for the region.
- There is a lack of eligibility for expenditure on networking coal regions across Europe - sharing good practice. Ideally create joint transformation projects (non-investment) at transnational level (in strategic planning).




- The pressure for rapid disbursement will favour larger players who are able to prepare and implement projects more quickly. This will partially exclude small actors.
- It is necessary to start preparing the subsequent support for the transition, as it is not realistic to implement the entire transition in one programming period.

### 3.3 Absorption capacity from the perspective of municipalities

Interviews were conducted with representatives of 15 municipalities in the Karlovy Vary, Moravian-Silesian and Ústí Regions. These were the following municipalities: Krásné Údolí (KVK), Březová (KVK), Kynšperk nad Ohří (KVK), Rotava (KVK), Josefov (KVK), Heřmanice u Oder (MSK), Bystřice (MSK), Spálov (MSK), Brušperk (MSK), Písečná (MSK), Horní Jiřetín (UK), Janská (UK), Březno (UK), Hora Svaté Kateřiny (UK) and Chodouny (UK).

#### 3.3.1 Perception of transition and ability to prepare projects

##### The view of municipal representatives:

- **Karlovy Vary Region:** poor communication from the national level. Lack of consulting firms.
  - **Moravian-Silesian Region:** transformation process - especially of larger, industrial entities; insufficient staff capacity; good cooperation within micro-regions.
  - **Ústí Region:** transition process significant in the areas affected by coal mining. Indirect impacts - retraining. Importance of LAGs and micro-regions.
- 

With regard to the heterogeneity of municipalities across the individual regions of the Czech Republic, the analysis clustered municipalities according to their respective region; the specifics of individual areas were also occasionally identified.

#### **Karlovy Vary Region**

Most respondents have at least a basic understanding of the transition process, but there is a **low level of communication from the national level regarding opportunities for municipal involvement**. There are not enough job opportunities in most of the municipalities contacted in the empirical survey and their inhabitants are forced to commute for work outside the municipality where they have their permanent residence. Cross-border employment in nearby Germany (for higher wages and social security) is a common phenomenon. Some municipalities face the problem of a shortage of available housing units (e.g., Kynšperk nad Ohří), which consequently causes stagnation of population growth. A related problem may be the **absence of doctors and basic amenities in the region**. Respondents indicated that attention is currently focused on completing basic infrastructure (e.g., sewers, sidewalks, reconstruction of public buildings or public lighting).

Respondents indicated that various project plans had been implemented in recent years. These ranged from investments related to the completion of basic infrastructure, modernisation of public buildings, revitalisation of public spaces to cultural development and environmental improvement. The majority of respondents indicated that in the case of hard projects they mainly drew on IROP and SEFCR funds (small- and large-scale projects<sup>8</sup>). Respondents indicated that most investment projects were in the order of millions CZK. In recent years, community development projects (e.g., building community centres) have been gaining interest.

Representatives of municipalities in the Karlovy Vary Region unanimously stated that in the case of projects implemented with financial support from the EU, they use the services of consulting companies. The respondents also stated that there **are not enough consulting companies in the territory of the Karlovy Vary Region and they therefore use the services of companies outside the region**. In general, respondents welcome consulting companies but often have problems finding reliable firms.

<sup>8</sup> Note: Small projects were usually considered to be projects with a value of up to CZK 500,000.

### **Moravian-Silesian Region**

Respondents stated that they **perceive the transition process as a matter mainly for larger, industrial actors**.<sup>9</sup> Although some municipalities have developed project fiches to engage in the transition process, they do not perceive their position as crucial. It should be noted, however, that the empirical research included small municipalities from the southern part of the mining landscape, where large industrial enterprises are not located. Respondents indicated that they generally do not have a problem with high unemployment or inadequate infrastructure in the region.

All respondents stated that they had experience in submitting and implementing projects funded by EU programmes.<sup>10</sup> Projects such as extensions or modernisation of primary education buildings have mainly been implemented.<sup>11</sup> They also mentioned the use of subsidies to build sports facilities, develop local roads, etc. **Respondents perceived insufficient staff capacity as the biggest problem.**

Respondents also mentioned the **complexity of rules and the lack of clarity of the online environment** (i.e., websites, online project submission tools) **as the main reason for using advisory services**.<sup>12</sup> For this reason, municipalities are forced to outsource these services. However, municipalities had both positive and negative experiences with consulting companies. The interviewed municipalities in the Moravian-Silesian Region mainly plan to cooperate with neighbouring municipalities in the form of micro-regions and will use the services of LAGs only to a limited extent.

### **Ústí Region**

Four of the five respondents perceive a significant impact of the transition process on their municipality. These are mainly municipalities whose territory has been affected by surface or deep coal mining in the past. According to the respondents, this will mainly involve a change in the landscape and the economic base of the municipality. They also mention indirect impacts on the municipality, e.g., retraining of their inhabitants.

Respondents indicated that various project plans had been implemented in recent years. In particular, they mention investments in the field of basic infrastructure (e.g., sewage system, wastewater treatment plant), reconstruction of public buildings (e.g., municipal offices, primary education, community centres), construction of housing (including care apartments), environment (e.g., bio-waste management, reconstruction of a pond) or cross-border cooperation.

**For Ústí Region, the majority of respondents stated that for projects implemented with financial support from the EU, they use the services of consulting companies** (mainly due to administrative complexity). Preparation and administration of smaller projects (up to 500,000 CZK, usually regional projects) are solved without consulting companies, as the prices of consulting companies are high and the administrative complexity is not so burdensome. Using the services of the LAG and RDA is planned at similar levels for the municipalities interviewed.

#### *3.3.2 Potential barriers to project preparation and implementation and funding needs*

##### **The view of municipal representatives:**

- **Main obstacles: administrative complexity; limited time between the call announcement and the deadline for submission of applications;**
- **Budgeting for the design of infrastructure projects is very problematic in times of turbulent price developments;**
- **Obstacles often arise in the sustainability requirements of projects.**



The next part of the interview inquired about the perception of potential barriers in the preparation and implementation of projects. **The highest number of perceived barriers was reported by representatives of municipalities in the Moravian-Silesian Region.** The most frequent barrier was administrative complexity, which is therefore analysed in more detail below. With a few exceptions,

<sup>9</sup> Note: The process of transformation was communicated to them from the beginning as a matter for large, mainly industrial enterprises, not for municipalities.

<sup>10</sup> Note: Respondents have experience in implementing three or more projects.

<sup>11</sup> Note: In the case of investment projects in primary schools, the amount ranged up to CZK 50 million. CZK 50 million.

<sup>12</sup> Note: Respondents perceive this as a handicap especially for small municipalities.

respondents agree that the area of knowledge and orientation in the possibilities of financing and support does not pose a problem.

Representatives of the Moravian-Silesian Region reported the widest range of difficulties in the area of project administration, while the representatives of the Karlovy Vary Region reported the fewest. In the case of the Karlovy Vary Region, annexes to project application are the most burdensome, while the Ústí Region representatives are more concerned with the financial aspect of the project proposal in the context of budgeting.

In the case of other comments made by respondents, the **answers do not differ significantly across regions**. In particular, the **most frequently barrier** mentioned was the **excessive complexity of rules and the time-consuming nature of preparing projects** (especially construction projects) in connection with the preparation of project documentation (especially the lengthy and complicated processing of the necessary documentation, e.g., building permits). With regard to the current situation, the budgeting of the project proposal is also a problematic area from the point of view of municipal representatives. In view of the rapid price increase, it is very difficult to correctly price a project that will be implemented in the perspective of several months or years.

Another pressing topic among the representatives of the municipalities was the **issue of sustainability** in connection with frequent experiences with the obligation to return part of the subsidy. Respondents also reported that they are often sanctioned for "small things" along with a lot of pressure from ministries during on-site inspections.

**There is usually a very limited time between the call for proposals and the deadline for submission**, so municipalities are forced to prepare their projects "in the drawer." Furthermore, there is a long delay between the submission of the application and its evaluation, which increases the cost of the projects. Another problem is insufficient and qualified staff capacity, which has a significant impact on the lengthening of deadlines.

**The preferences of municipal representatives in terms of forms of funding** and support for their projects were also surveyed. The majority of respondents unanimously stated that grants were the most preferred source of support. Although a large number of respondents have so far only encountered vouchers sporadically or not at all, after being introduced to the concept, most respondents also see vouchers as a suitable opportunity. Respondents were particularly interested in a voucher for the preparation of project documentation, which they found potentially very helpful. Although grants and vouchers are the preferred form, municipal representatives are aware that their volume is not inexhaustible and are thus forced to identify and use other forms of funding. Thus, several respondents mentioned the possibility of using a soft loan (e.g., in connection with the construction of a sewerage system), or for smaller municipalities to cover co-financing in the case of large infrastructure projects (a limit of about CZK 15 million was mentioned).

### *3.3.3 Opportunities for improvement - training needs, advice, project plans 2021+ and recommendations from municipal representatives*

#### **The view of municipal representatives:**

- Demand for training varies regionally;
- The most requested area of training concerns PJT;
- Project management - especially in the Ústí Region;
- Request for advice and methodological assistance in completing the application.



The survey also focused on the specific areas where **respondents would have liked more information**. Most preferences were expressed by respondents from the Ústí Region, where it is also the widest spectrum of topics in which municipal representatives would like to receive more information. Respondents from the Moravian-Silesian Region were narrowly interested in some topics, and a very narrow area of interest is from municipal representatives in the Karlovy Vary Region, where 7 of 10 respondents expressed preferences fall into the area of basic introduction of PJT.

**At the time of the empirical survey (i.e., February and March 2023), training on PJT was the most desirable, focusing on the presentation of the programme structure, call schedule and basic**

**conditions**, together with the application process and mandatory annexes. While respondents in the Ústí and Karlovy Vary Regions very much welcome the presentation of this basic overview, representatives of municipalities in the Moravian-Silesian Region add that they find the presentation of this area unnecessary. However, during the first half of 2023, such trainings have already been held as a standard. Representatives of not only municipalities but also the private and non-profit sectors had the opportunity to get acquainted with the conditions of the new programme.

Respondents from the Ústí Region are most interested in the area of education in the topics of project preparation (13 expressed preferences); respondents from the Karlovy Vary and Moravian-Silesian Regions did not show interest in this area. Some of the respondents from the Moravian-Silesian Region stated that this topic is mainly the domain of consulting companies and municipalities and that the issue should be left to them.

Regarding thematic areas of project preparation, environment and climate, including energy, were of particular interest. Culture and tourism as well as development and entrepreneurship were also mentioned. Respondents showed the least interest in education and retraining.

**Representatives of municipalities across the region agreed on the need for advice in the preparation of small projects.** The answers were almost evenly balanced: focusing on projects with potential for support, methodological assistance in filling out applications, and financing options (grants, soft loans, venture capital, etc.).

Representatives of the municipalities said that they plan to draw financial resources mainly from IROP, OPE, CAP Strategic Plan, Modernisation Fund and OPJAK within the programming period 2021-27. Then, in order of units, from the Interreg Europe/Danube programme and the Visegrad Fund. For most municipalities, however, the main focus is on the IROP and the OPE. The OPE mainly concerns investments in energy measures (solar panels, thermal insulation, dams) while the IROP concerns the construction or reconstruction of public buildings (e.g., schools, offices). Investments using the Modernisation Fund are mainly planned for community energy and the acquisition and installation of photovoltaic power plants.

Representatives of municipalities said that they have already prepared project fiches, but they have not yet decided which of the announced subsidy titles they will use for their financing. Apart from the mentioned funds, some municipalities are also planning to draw funds under OPE+. In general, **there is a preference among the respondents to use the subsidy calls announced by the regions over the ministerial and European calls** (with regard to their complexity and communication).

At the end of the interview, respondents were given the opportunity to make further comments or suggestions. There is a consensus among municipal representatives to increase pressure for greater decentralisation in subsidy provision, i.e., to the level of the regions of LAGs. Most municipal representatives reported good experiences with the use of regional subsidies and would like to expand this range and volume. According to the respondents, this is a less administratively and financially burdensome and simpler process. Another pressing issue for municipal representatives is project sustainability, with respondents mentioning the return of subsidies as a common practice, as auditors cling to details. Last, but not least, respondents expressed the need for administrative facilitation, speeding up the decision-making process and increasing transparency about the calls (and funding opportunities for their project plans).

### 3.4 Absorption capacity from the perspective of NGOs and universities

The interviews were conducted with representatives of 14 NGOs, primary, secondary and higher education institutions in the Karlovy Vary, Moravian-Silesian and Ústí Regions, including:

1. NGO/Other: association, foundation/endowment fund, special purpose establishment of churches, public benefit corporation, institute
2. School legal entity
3. Public university and public research institution - output for MSK purposes

The interviews were conducted with respondents from the following institutions from the category of NGOs other: Rovnovážka z.s. (MSK), Institute of Community Development, z.s. (MSK), KultiVary, z.s. (KVK), Denní centrum Mateřídouška o.p.s. (KVK), Centrum PANT (MSK) and Moravian-Silesian Pact (MSK). From the category of school legal entity: Secondary Industrial School Ostrov (KVK), Secondary School of Catering and Services Karlovy Vary Ostrov (KVK), Primary School Ostrov (KVK). From the category Public university and public research institution: Czech Technical University in Prague Děčín (ÚK), Faculty of Social and Economic Sciences, Jan Evangelista Purkyně University

in Ústí nad Labem (ÚK), University of Mining - Technical University of Ostrava (MSK), University of Ostrava (MSK), University of Silesia in Opava (MSK).

### 3.4.1 Perception of transition and ability to prepare projects

**The view of representatives from NGOs and universities:**

- NGOs: role in achieving a more flexible workforce, providing retraining, new opportunities. PJT as a potential resource;
- School legal entities: role in the provision of education;
- Public universities and research institutions: education, efforts to strengthen science and research, good space for talented people.



With respect to the three groups of NGOs, it was possible to identify their specifics with regard to the needs of the regions and the process of transition.

#### **NGO/Other**

The majority of respondents in the "NGO/Other" category have a long-term focus on education. Among the respondents, one NGO focuses exclusively on social care. Other respondents focus on health, recreation and culture, human rights and equality issues or community development in addition to education. Five of the six respondents are active with their services at the regional level, three are also active at the national level, and one operates at the international level.

From the perspective of the NGOs, the regions need to complete the transition process (including in the area of the labour market, which is the main domain of one of the respondents), and that there is not a high level of awareness of the PJT in society. **The NGOs perceive their role in achieving a more flexible workforce, providing retraining, new opportunities, promoting self-fulfilment, supporting entrepreneurship, working with the disadvantaged, and also in raising awareness about the transition processes.** PJT is also perceived by NGOs as a potential source of funding for their activities; **in general, there is a high dependency on grant programmes and a high dependency on programme conditions for NGOs.** It is common for projects to be funded for a maximum of two years, after which the NGO must reapply for funding. However, it is clear that some types of problems require a longer period of time to solve (e.g., social inclusion, or addressing socially excluded localities); in this sense, shorter-term projects are only operational in nature and lack a deeper understanding. The maximum funding period is two years, which bears the risk of an unconceptual approach. **The time gaps between programme periods are also a problem** (longer periods of subsidy gap, which forces liquidation for some NGOs). In addition, respondents from NGOs in the Karlovy Vary Region would welcome the establishment of a Regional Development Agency in the KVK.

#### **School legal entity**

All respondents in the "School legal entity" category have a long-term focus on education, of which three respondents are from the primary and secondary school circuit in the KVK. The primary school also focuses on working with children with disabilities, their educational but also social problems (small classes of up to 12 children, often individual plans, very varied teaching linked to extra-curricular activities), and the secondary schools focusing on gastronomy and technical fields, which operate regionally with their services.

Respondents perceive their role in the ongoing transition processes to be primarily in the provision of teaching. Topics related to climate change, the green agenda, electromobility, etc. are already appearing in teaching curricula. Graduates are identified as a potential and opportunity for KVK. The representatives of the educational legal entities also see the potential of transition in the area of renovation of their own premises.

#### **Public university and public research institution**

Respondents from the category "Public universities and public research institutions" consistently state education as their main focus, with overlap into e.g., health, social care or environmental protection. One respondent added that the university tries to perceive the region and its needs and to adapt its

offer to regional demand. The so-called third role of the university is also important - to speak to everything that is needed in the region. Economic, social and other topics were also discussed.

Respondents from universities primarily operate at the regional level, part of their R&D activities are also carried out at the national level. One respondent adds to the view of the narrow conception of the problem of structurally affected regions by using the example of the Ústí Region, which is referred to as "Ústí centralism" - the situation in Ústí nad Labem is dealt with first, then in other parts of the region. This line is not conducive to the comprehensiveness of the transition process.

Respondents perceive the field of education as an absolutely crucial factor for a successful transition process and are trying to strengthen the field of science and research in the region (e.g., cooperation with enterprises within the OPTAK project). They see potential in complementary activities where they can use their experience to help the region. **Large transformation projects create big changes relatively quickly but are less stable. In contrast, small projects are more long-term and stable. Change needs to come largely from the bottom-up**, and the national and regional levels should kick-start these processes rather than artificially initiate them. **Respondents identified clear and distinct, unchanging rules given from the start as a basic prerequisite for successful transition.**

### 3.4.2 Potential barriers to project preparation and implementation and funding needs

#### Views of representatives of NGOs, educational legal entities and universities:

- Lack of qualified human resources;
- Administrative complexity: unclear conditions for project implementation, difficult to understand rules for project implementation;
- Universities/research institutions: the area of public procurement is particularly problematic for innovative projects.



The survey identified the biggest challenges and barriers to project preparation from the perspective of NGOs, education legal entities and universities. **The biggest problem, identified by all three respondent types, is related to the lack of qualified human resources and the administrative complexity of project preparation.** The issue of administrative complexity was then specified by the respondents representing NGOs in the **lack of clarity of conditions for project implementation**, which is related to **insufficiently specified rules** for some calls (OPE+). In the case of respondents representing educational legal entities, the criticism is again the complexity of the often very difficult to understand rules for project implementation. Also, there is **inadequate communication regarding the announcement of calls**, as NGOs learn about specific calls only at the last minute. This problem is further complicated by the workload of NGOs with their regular agenda, and therefore often the necessary time capacity for project preparation is not available. **Most NGOs also mentioned co-financing as a barrier to project implementation.**

Higher education representatives cited the **lack of qualified human resources in the region (e.g., programmers)** as one of the elementary barriers. The nature of the projects under preparation also depends on this issue. Universities aim to prepare such projects that have sufficiently qualified human resources. According to the respondent, the area of public procurement is problematic, especially in the area of innovative projects. In this case, tenders are often very complicated, and universities are forced to prove facts that are very difficult to substantiate. Another **problem for technologically innovative projects is the necessity to establish a fixed line-item budget for several years ahead with a low degree of flexibility**, which is a very long time given the technological progress.

Respondents see possible **solutions in the area of sharing know-how, people and money between organisations.** There is a consensus across respondents that **grants and vouchers are the most preferred form of project funding.** There was also interest from several NGOs and universities in the area of consultancy, coaching and mentoring.

Secondary school representatives are considering external funding for human resource support. Currently, there is a gradual change in the teaching staff and according to the respondent, the support makes a lot of sense especially for the recruitment of new teachers. The recruitment allowance is

a motivational element that the Karlovy Vary Region has been providing for some time for teachers (it also implements scholarship programmes for university students).

According to university representatives, they intend to concentrate on assisting young scientists through an approach that focuses more on in-coming scientists than reintegration. Through these two methods, they would like to further involve incoming postdoctoral staff in grant and research projects, which would partly fund them. Another respondent stated that they expect an influx of Re-integration of postdoctoral workers who have earned their degree abroad but are of Czech nationality. There are also plans to use the support to create postdoctoral positions for excellent foreign graduates, retaining the newly created positions for at least a year after the Global Post-doc project ends. Finally, the implementation of educational activities supporting the development of human resources in science, research and innovation was mentioned.

### 3.4.3 Opportunities for improvement - training needs, advice, project plans 2021+ and recommendations from NGO and university representatives

#### The view of representatives of NGOs and universities:

- Training is most preferred by NGOs;
- "School legal entities" are more narrowly profiled;
- Interest in training is rather low in universities;
- The required area of training is PJT (programme structure);
- The area of project preparation is of particular interest to NGOs.



The survey looked at particular areas where respondents would have liked more information. **"NGO/Other" respondents expressed the highest preference for more information** (across the broadest range of topics). More narrowly interest was sought for respondents in the category of "School Legal Entities." **Interest for more information from "Public Universities and Public Research Institutions" is rather low.**

**According to the respondents, the desired topic area is the PJT**, focusing on the presentation of the programme structure, the call schedule and the basic conditions, together with the application process and mandatory annexes. There is interest among respondents in both of these areas, with more respondents interested in further information on the application process and the mandatory annexes (six), while there was less interest in the area of presentation of the programme structure, the call plan and the basic conditions (four). In this context, it is worth mentioning that the Technical Assistance project, under which this report is also prepared, focused, among other things, on this area of training in its sub-part of the training activities implemented during May and June 2023.

**The area of project preparation is of particular interest to respondents from "NGO/ Other."** The greatest interest is related to "Financial preparation of the project, budget, schedule," for which three respondents plus one from "Public university and public research institution" expressed interest. In the case of thematic areas of project preparation, interest was observed only among the representatives from "NGO/Other" and was expressed mainly in the areas of environment and climate, including energy, education and retraining, and business development. Respondents from "School legal entity" added that they do not consider training relevant for the school - if they do a large project, they hire a consulting company, which then also provides them with a project manager.

Respondents from "NGO/Other" and "School legal entity" have used, and plan to continue to use, **counselling**. Respondents from "Public university and public research institution" have their own administrative apparatus and only one indicated an interest in consultancy for targeting projects with potential for support.

Representatives of NGOs and universities are planning to draw financial resources from OPJAK (8), Erasmus+ (five respondents), IROP (three respondents), OPE+ (two respondents), CERV (three respondents), Interreg Europe/Danube (two respondents) and EEA and Norway Grants (three respondents) within the programming period 2021-27. Only to a minimal extent, NGOs and universities will prepare projects for the OPE, Modernisation Fund, Horizon Europe, Creative

Europe and Digital Europe programmes. Respondents from the category "School legal entity" also want to use PJT - connectivity and professional classrooms.

NGOs and universities play an important role in the Just Transition. **School legal entities from the KVK see potential in the opportunity to contribute to transition through their disciplines. Other NGOs want to focus on labour market transformation, retraining or increasing flexibility within the labour market** (flexibility of job offers, working hours, adaptability to labour market conditions and requirements - upskilling) and support for coal industry workers (intensive career coaching). **According to the respondents, consistently overlooking excluded localities is problematic** (i.e., social prevention, outreach services, intervention centres and debt counselling, etc.).

**The role of LAGs and advisory bodies as intermediaries for smaller applicants is also important** (mainly in the area of advice and guidance). Respondents provided good references to advisory bodies and maintain long-term partnerships with them. At the end of the interview, respondents were given space to make further comments or suggestions. **Consistently, they mentioned the need to simplify the system, reduce the time for project evaluation, streamline processes and prevent pointless projects from being implemented** simply because a call is launched. They would also like to see **better information and timely answers to questions** (discussion forums for applicants are useful).

### 3.5 Absorption capacity from the perspective of entrepreneurs

Interviews were conducted with 14 business respondents. The enterprises are located in structurally affected regions of the Czech Republic. These enterprises are 24 VISION a.s. (MSK), CARMANWOOD s.r.o. (MSK), Violin Schönbach s.r.o. (KVK), Polypress (KVK), VUHU a.s. (ÚK), Chebská elektrofirma (KVK), SANCHO PANZA, s.r.o. (KVK), MEPAC CZ, s.r.o. (MSK), AGRO-EKO spol. s.r.o. (MSK), K2 atmitec s.r.o. (MSK), HS Project s.r.o. (ÚK), Rowingo s.r.o. (ÚK), EDHANCE s.r.o. (ÚK) and also with one entrepreneur from the Ústí Region who owns three enterprises. The respondents are engaged in a wide range of activities, from the creation of quality control tools in the form of machine vision using artificial intelligence and neural networks, wood purchasing and processing (production of lumber and larch products) and light engineering, laser machining and engraving, to the production of musical instruments and the supply of high and low voltage buildings and radio communications, areas, biomass and bio-waste processing and the development and operation of ERP systems. For the purposes of qualitative analysis, the enterprises are not further clustered in any way.

#### 3.5.1 Perception of transition and ability to prepare projects

##### The view of business representatives:

- Specifics of the interpretation of this part of the survey - most respondents managed the grants independently, only three respondents without ESIF experience;
- The importance of consultancies for less experienced enterprises;
- The ability to implement projects depends on the size and stability of enterprises.

**The majority of the interviewed business respondents tended to have experience with publicly funded projects.** Seven respondents have experience with three or more projects funded by EU programmes. Entrepreneurs report that they have also used innovation vouchers or the "Application Call IX" programme. They also reported experience with programmes of the Ministry of Industry and Trade (Progres, Impuls, etc.), TACR or a programme from the Ministry of Education and Science, as well as with OP "Research and Development for Innovations" (2007-2013) and international programmes Interreg and Horizon. Some respondents reported experience with as many as 15-20 projects, with budgets of around 40 million CZK, and up to 70-80 million CZK for the purchase of machinery. Three respondents reported experience with one to two projects funded by EU programmes. These are experiences with a subsidy from the KVK (voucher market research worth about 200,000 CZK) or with a project focused on the development of a portable laser system (about 8 million CZK). Another respondent from this group mentioned experience with soft projects financed from the ESF. **Three respondents stated that they had no experience with projects funded by EU programmes.** Entrepreneurs in this group stated that they are discouraged by the **excessive bureaucratic burden**.



**The majority of SME respondents managed to deal with the subsidy agenda independently**, without the help of consulting companies. Only one respondent reported using consultancy services. Approaches to using experts also varied, i.e., hiring an outsider who worked exclusively for the enterprise. **Unsuccessful project submissions were recorded by two respondents**: one who prepared the project alone and one who used a consulting company. The survey shows that the importance of consultancies is low for stable and experienced firms, whereas for less experienced firms it will be more of a necessity in project preparation.

Nine respondents plan to use services funded by other sources, which they see as a potential for developing their own activities and know-how, e.g., printing consultancy (training, seminars, programmes and professional), services of the often-mentioned MSIC and other grant agencies. Another respondent is interested in cooperating to promote the results of the transition. Cooperation with LAG is low on the part of enterprises due to time and capacity constraints.

### 3.5.2 *Potential barriers to project preparation and implementation and financing needs from the perspective of entrepreneurs*

#### **The view of business representatives:**

- The main obstacle: concern about the administrative complexity of project implementation;
- The complex process of filling out the project application;
- Lack of human resources and their insufficient skills in companies;
- Enterprises are most interested in supporting vouchers and subsidies. There is also interest in specific thematic advice, coaching and mentoring.



Business representatives identified **many problem areas in project preparation/planning**. The biggest barrier is the concern about the administrative complexity of project implementation. Respondents criticized the **complicated, non-intuitive system, frequent changes of conditions** by the managing authority, **excessive administrative checks**, often **unclear conditions of calls**, requirements for enterprise history (or focusing mainly on existing enterprises) and the **absence of template projects**. In this context, they also criticise the complex procedure for filling in the content of the project application and the often-complicated communication with intermediate and managing authorities, and they also criticise the **high requirements for annexes to the project application**. The complexity of setting budgets, pre-financing and co-financing of projects also means that **subsidies are more likely to be targeted at financially larger and more stable enterprises**. **The lack of functional communication channels between actors in the public financing sector is also problematic**.

Among business respondents, the greatest interest is in support in the form of vouchers and subsidies. Small enterprises add that these two forms of support are often the only forms of support available to them. They appreciate the lower co-payment obligations and the greater flexibility of vouchers. Five respondents also expressed an interest in soft loans, which they mainly want to use for larger projects for which they would have difficulty in co-financing. **There is also interest from three enterprise representatives in specific thematic advice, coaching and mentoring**, particularly in the areas of community energy and energy saving, as well as direct capital injection, with one respondent already having projects in place in this area (direct capital injection or development capital). Entrepreneurs also add that something different is needed for each type of intervention and also for a different stage of business development. This is, for example, the aspect of the riskiness of the project (first advise, then deploy other sources of financing in stages according to the risk of the project) or the aspect of the competitiveness of the enterprise.

**External funding for these types of smaller projects (business development voucher, digital voucher, innovation voucher) is considered by the majority of respondents. The system for applying for vouchers is considered satisfactory by enterprises**. According to them, it is relatively easy and does not bring unnecessary complications. One respondent criticised vouchers as being simultaneously devised for all structurally affected regions of the Czech Republic, and thus it is not possible to reflect the individual needs of each region. Another added that there is great potential

for vouchers to develop cooperation between academics and enterprises. However, the presence of a platform where actors could meet would be useful. At the same time, it would be useful to centralise information on what is being done in universities and with what type of equipment (including contact information for universities and research centres). There is a lack of support for expansion into foreign markets in the set-up of voucher support.

### 3.5.3 Opportunities for improvement - training needs, advice, project plans 2021+ and recommendations from entrepreneurs

#### The view of business representatives:

- Interested in information about the structure of PJT;
- Enterprises are most interested in training in project preparation;
- Less experienced companies will welcome methodological assistance;
- Topic areas: information on education and retraining and the topic of "do no significant harm" (DNSH).



The survey looked at the particular areas where business respondents would like more information. In the area of PJT, there is interest in **information on the structure of the programme, the call schedule and the basic conditions of the PJT. The greatest interest** among business representatives is **for more information on project preparation** (project content, project phases, roles and responsibilities of partners, key success factors). To a similar extent, there is interest in the area of project management and administration in the implementation phase. One respondent added that the **rules are not sufficiently specified for new calls**, which leads to a subjective understanding. In general, all **project preparation involves identifying financial instruments and being able to navigate the programmes** - hence general mentoring is necessary to set up a plan and appropriate financial instruments. Among the **thematic areas of project preparation, information on training and retraining** is of greatest interest. Three respondents expressed interest in "Do No Significant Harm" from specific technical areas.

In the context of preparing small projects, **enterprises with less experience that have already obtained grant funds would welcome advice on the focus of projects with potential support, methodological assistance in filling out the application and consultation on financing options** (grants, soft loans, venture capital, etc.). Larger and more stable enterprises have no problems with small projects and their preparation. Some **respondents mentioned their negative experiences with consulting companies**, where they are not completely opposed to further cooperation, but would put emphasis on **references** when looking for a suitable consulting company.

**Enterprises have different plans for possible acquisition of EU funds** in the new programming period 2021-2027. **They are most interested in the funds from OPTAK** and the Modernisation Fund. Other programmes (LIFE, Horizon Europe, Creative Europe, Digital Europe, Erasmus+, Innovation Fund) are of marginal interest to entrepreneurs. **In general, enterprises are interested in using subsidy support despite the associated risks:** public procurement, little support from the subsidy provider, risks associated with the return of funds, research risks and application in programmes, etc.

## 4. SYNTHESIS OF KNOWLEDGE AND LESSONS LEARNED ON ABSORPTIVE CAPACITY

### 4.1 Experience to date with the absorption capacity of ESIF in coal regions

#### **Main findings from the analysis of the data on ESIF spending in the period 2014-2020**

The experience with absorption capacity to date has been assessed according to the data on the spending of ESIF funds in the 2014-2020 programming period. In terms of the volume, OPEIC and IROP were the most significant in the coal regions, with a significantly smaller share for OPE. IROP applicants were the most likely to obtain a grant, with almost 70% of the total amount of funds requested in project applications allocated under IROP (by contrast, this figure was 40% for OPEIC

and OPE). Significant differences in the average size of the budgets of the projects implemented were observed in all three operational programmes analysed (OPEIC, OPE, IROP). The projects with the lowest budgets were implemented in the Karlovy Vary region, while the financially largest projects were implemented in the Moravia-Silesia region.

The Moravian-Silesian Region has dominated in absolute financial amounts, which corresponds to the size of the region. In terms of per capita values (i.e., intensity of support), **the OPEIC results also showed** the dominant position of the Moravian-Silesian Region compared to the Karlovy Vary and Ústí Regions. However, the Karlovy Vary Region shows a higher intensity of funding absorption than the Ústí Region. However, a more detailed spatial view at the municipal level clearly shows the importance of cities, conurbations and urban areas in general, where the intensity of spending is significantly higher compared to peripheral areas. In particular, these are the urban axes in the Ústí and Moravian-Silesian Regions, which were characterised at the level of municipalities with a high intensity of support from OPEIC (the urbanised belt of the sub-Ore-Mountains region and the Ostrava and Frýdek-Místek microregions in the Moravian-Silesian Region). Regarding entrepreneurship and innovation, the Moravian-Silesian Region shows greater absorption capacity while, on the contrary, Ústí Region has a very weak absorption capacity in entrepreneurship outside urbanised localities.

**In the case of the OPE**, and similar to OPEIC, excess demand for funds was observed. However, it should be noted that the success rate of submitted applications was higher in the Karlovy Vary Region compared to the Ústí and Moravian-Silesian Regions. By per capita values, absorption capacity at the level of the MEP was better in the Moravian-Silesian Region compared to the Ústí and Karlovy Vary Regions where there are several MEPs that were not (or barely) covered by the available subsidy funds in the programming period.

**In the case of IROP**, the success rate of submitted projects was higher compared to the other operational programmes. In all three coal regions, around 70% of the funds were allocated in proportion to the total volume of funds required. In the case of IROP, the Karlovy Vary region fared only marginally better, reporting 73% of the funds received.

**The aggregate analysis of the absorption of IROP, OPT, OPE, OPEIC, OPRDE for the period 2014-2020 in the coal regions of the Czech Republic** also showed a significantly higher absorption capacity of the Moravian-Silesian Region, a moderately favourable position of the Karlovy Vary Region and a rather unfavourable position of the Ústí Region. Both the Moravian-Silesian and Karlovy Vary Regions had a higher approval rate and a higher success rate of applicants compared to the Ústí Region. One of the reasons for the worse position of the Ústí Region is the larger share of small municipalities compared to the Karlovy Vary and Moravian-Silesian Regions, where, for example, in the size category of 200 to 999 inhabitants there are 401 municipalities in all three regions, 204 of which are located in the Ústí Region. This size level of municipalities is generally problematic in terms of the capacity of human and financial resources needed to manage larger-scale projects.

**In terms of the legal form of applicants at the level of the AD MEP for IROP, OPT, OPE, OPEIC, OPRDE**, the results were basically the same in all coal regions. Non-profit organisations are the most successful in applying (as they are directly dependent on subsidy funds). Enterprises are in second place. By contrast, municipalities and the public sector show the lowest levels in the number of approved projects per capita, which is due to their larger financial scope (e.g., infrastructure). Non-profit organisations generally submit larger numbers of projects on a smaller scale.

**The cumulative analysis of IROP, OPT, OPE, OPEIC, OPRDE spending for the Czech Republic by MEP** did not show a significantly worse position of coal regions in comparison to other regions in the Czech Republic (as measured by the recalculated volume of drawn funds). By contrast, the low number of approved project applications also resulted from the territorial sub-Ore-Mountains belt. This suggests a low capacity of the actors of the Karlovy Vary and Ústí Regions to prepare high quality and ultimately successful project plans.

**Comparing the situation of individual regions in the Czech Republic** in terms of the total financial allocation of projects per capita, the highest success rate of submitted applications (i.e., approved submitted applications) can be observed in the Vysočina Region while the lowest is observed in the Ústí Region. The Karlovy Vary Region also showed comparatively lower values. If the volume of all submitted applications is summed up, the Moravian-Silesian Region is more in line with the national average, whereas the Karlovy Vary and Ústí Regions show lower values. This further illustrates the lower absorption capacity in the North-West Cohesion Region.

The analysis of the monitoring data on ESIF absorption to date clearly shows a **key finding in relation to the implementation of the JTF**. The Ústí Region clearly has the worst initial potential of the overall absorption capacity for drawing public funds. The Karlovy Vary Region, which is the smallest region in the Czech Republic, is close behind in a number of sub-indicators. For instance, the size of the implemented projects are the smallest regional average. By contrast, the Moravian-Silesian Region is more successful in terms of the current spending of ESIF funds. Therefore, this is an important risk assuming a possible lower involvement of smaller entities in the thematic calls of the PJT. The influencing factors and the broader context are summarised in the form of a synthesis in the following sections of this chapter.

***Key learning lessons on absorption capacity factors in coal regions according to previous analyses and evaluations***

With respect to the objectives of this report, three studies/reports were published that focused on sub-issues in selected coal regions. These included:

**1) STEM/MARK survey (2021) on perceptions of the benefits of ESIF**

The results of the STEM/MARK (2021) media survey **on the perception of the benefits of ESIF funding showed that the Karlovy Vary and Ústí nad Labem regions had significantly lower perception scores compared to the national average**, which was higher. The Moravia-Silesia region also had a higher perception of the benefits of the ESIF. One reason for this unfavourable position of the Karlovy Vary and Ústí Regions is the **generally low trust in the transparency of the processes in the North-West Region** in the framework of the absorption of ESIF funds. This is a crucial finding for the success of the implementation of the PJT, because the institutions ensuring the funding process must have the highest possible trust not only with the population in general, but also with potential applicants and beneficiaries. This assumption is currently supported by the central management of the PJT, with the Ministry of the Environment being the managing authority.

**2) ISFC study (2022) focused on absorption capacity only in Ústí Region**

The ISFC study (2022) focused directly on mapping the problems related to absorption capacity, indicating the specificities of individual actors:

- In the case of SMEs, the Ústí Region is characterised by insufficient diversification of the economic structure and a weak level of innovative activities.
- The non-profit sector is not sufficiently developed, which negatively affects the possibilities of solving socio-economic problems and socio-pathological phenomena, which are typical at the local and micro-regional level in this region (e.g., relative poverty of households in the region, high proportion of long-term unemployed, above-average crime rate, high proportion of personal debts and the proportion of people in foreclosure).
- Municipalities in the Ústí Region are significantly affected by their geographical location, some of which are directly affected by the transition steps (i.e., municipalities in the coal basin) or indirectly (e.g., municipalities in recreational areas). In addition, residents from more distant communities may also commute to the mines, and therefore the indirect influence may be through commuting.

Possibilities to strengthen absorption capacity was presented in this study under the heading of the problem of the level of information and the level of readiness of actors to implement projects. Concerning the ESIF, NGOs and municipalities were better positioned compared to the business sector, whose representatives seldomly follow the subsidy opportunities and often have a higher level of distrust in the subsidy system. This finding is in agreement with the findings of STEM/MARK (2021). In terms of the readiness of entities to implement projects, the highest level was identified in the case of NGOs (who are dependent on these funds). In theory, municipalities also have a good readiness to implement projects, but they may not always have actions ready for implementation in the project pipeline that are fully in line with the objectives of the grant titles. In the case of SMEs, it depends on how pragmatic they are in their strategic decision-making and their ability to adapt to the set conditions of the subsidy titles and accept the standard administrative burden associated with it.

### 3) **EY study (2023) focused on the evaluation of ESIF spending in the Moravian-Silesian Region**

The study identified the importance of the institutional and strategic environment in which subsidies are implemented. The study focused on the Moravian-Silesian Region, which has long been on a good trajectory of socio-economic development. The main reasons for this include the region's long-term strategic leadership, stable political situation, functional platforms and a strong agency/institutional system that has helped strengthen the region's absorption capacity over the long term. The soft elements of strategic management, i.e., the enthusiasm of key actors and well-established forms of cooperation between the key actors of the region are also crucial, thus supporting the building of a credible and stable environment. These are crucial differences between the Moravian-Silesian Region and the situation in the Karlovy Vary and Ústí Regions.

All three studies provide some **key insights to further support the implementation of JTF in the Czech Republic**. Of particular importance is the stability and robustness of the institutional environment at the regional level, which must be as credible as possible to the population and, in particular, to the key stakeholders in the region (STEM/MARK, 2021). The example of the Moravian-Silesian Region then confirmed the importance of a long-term approach in strategic development, as well as a sufficient level of involvement of relevant stakeholders (EY, 2023). In the case of the Ústí Region, some specific barriers to JTF implementation emerged (see the broader range of socio-economic issues), which will continue to require significant efforts in the transition process (ISFC, 2022).

## 4.2 **Key lessons for strengthening the absorptive capacity of small actors in coal regions from empirical survey and regional workshops**

### ***Limits to the absorption capacity of smaller entities***

The empirical research confirmed some general and logical assumptions, which are not only emphasized by experts but also by potential applicants from the ranks of municipalities, NGOs and enterprises. Larger and more financially stable entities are able to both secure co-financing or pre-financing and have the necessary administrative apparatus to prepare and ensure the implementation of administratively demanding projects, demonstrate better readiness for the implementation of projects financed from the ESIF.

Conversely, smaller entities encounter a wide range of potential barriers (see below), which are addressed differently in different regions. This implies a diverse context for absorptive capacity. Smaller actors need considerable support in the form of advice, which they use in various forms. The empirical research found that the LAGs or the offices of the respective micro-regions are often very important in supporting the preparation of small projects or supporting smaller actors in the preparation of their projects. Although the level of activity of LAGs and micro-regions varies in the Czech Republic, respondents confirmed that they play an important role in supporting small entities. The LAGs usually have a better overview of the territory and the key actors at the local level. In the case of micro-regions, their importance was identified for the Moravian-Silesian Region. In the Ústí Region, LAGs are more important. The situation of the Karlovy Vary Region is almost the same (similar) in terms of the level of activity of LAGs and micro-regions. However, representatives of LAGs identified a very low level of awareness in relation to the preparation of the transition process of individual coal regions at the time of the empirical survey (i.e., in February and March 2023). It is therefore desirable to strengthen information flows towards actors who operate at the micro-regional level in the long term.

Consultancies (agencies, consultancies, freelance experts) are also occasionally used for specific topics, but experience with them varies at the level of individual applicants and beneficiaries. This finding was confirmed in the regional workshops conducted during June 2023.

### ***Absorption capacity of smaller entities in view of the objectives of transition of coal regions***

**The absorptive capacity of smaller entities in relation to the transition objectives** in coal regions also needs to be assessed **in terms of the perceived role of individual entities in these processes**.

**In the case of municipalities**, the situation differs between coal regions:

- **In the Karlovy Vary Region**, representatives of municipalities feel long-term socio-economic problems in their development and, at the same time, declare that they have a basic awareness

of the transition process. Nevertheless, they identified a low level of communication regarding the possibilities of municipalities' involvement in these processes.

- **In the Ústí Region**, the impact of the transition is felt very strongly by municipalities, especially if they are close to areas that have been affected in the past by surface or underground coal mining. Attention is therefore focused on hard infrastructure projects (e.g., sewage systems, wastewater treatment plants), reconstruction of public buildings (e.g., municipal offices, primary education, community centres), housing construction (including housing with care services), the environment (e.g., bio-waste management, pond reconstruction) and cross-border cooperation. In fact, this is the perception of the role of the municipality in the infrastructural revitalisation of the territory.
- **In the Moravian-Silesian Region**, the municipalities interviewed (the southern part of the mining landscape) perceive the transition process as pertaining primarily to larger industrial actors and often do not perceive their position as essential. They perceive their role mainly in the stabilisation of local socio-economic development and the need to modernise civic amenities and basic infrastructure. In terms of deadweight (i.e., the likelihood that a project plan is implemented without subsidy support), smaller municipalities would only be able to implement smaller projects with a longer time lag. Larger scale projects would be implemented only in extreme cases, when the implementation of a given investment would be of a fundamental nature for the functioning of the municipality (e.g., solving the emergency condition of a municipal building). Therefore, subsidies for investments are an essential form of financing, while commercial loans are seen as an extreme form of investment financing.

The regional workshops also revealed that Pillar 3 of the Just Transition Mechanism is effectively inaccessible for smaller municipalities, as the NDB provides framework loans with subsidies and the investment costs range from CZK 100 to 600 million. For small municipalities, the minimum limit of investment costs for concessional loans is still too high, and therefore smaller municipalities remain de facto dependent on subsidy funds. The NDB also provides "Regional Development Fund Loans", which are intended for all municipalities in the country except for the Capital City Prague and statutory cities. Loans of up to CZK 30 million are available under this scheme and can be combined with subsidies (possibility of early repayment of subsidies). In other words, opportunities exist for smaller municipalities, but it will be necessary to further communicate them towards smaller applicants.

For some investments, cooperation of municipalities within micro-regions can be considered, but many investment needs of municipalities have limited supra-local significance (i.e., effects are only intended for a given locality). The fragmentation of the Czech settlement structure thus continues to represent a long-term barrier to financing smaller municipalities. Therefore, supporting communication activities on the possibilities of cooperation of municipalities in selected local problems of socio-economic development, which may also have supra-local significance (overlap) is an appropriate task.

In general, awareness of the possibilities of financial instruments is still limited, and interactive tables of examples would help to increase the interest of larger municipalities and cities in the Czech Republic. The tables could model examples of potential savings by comparing the cost of pre-financing grants vs. loans, as well as the effect of inflation over a given period. For decision makers at the local level, these publicity tools would have a very strong influence and impact.

**The role of NGOs** in the transition processes consists mainly in achieving a more flexible workforce, providing retraining, new opportunities, support for self-fulfilment, support for entrepreneurship, work with disadvantaged people, and also in the area of education about the transition processes. It further emerged that:

- PJT is seen by NGOs as a potential source of funding for their activities. Similarly, educational institutions see their role in relation to strengthening the level of qualifications in the region.
- Universities, however, have not sufficiently used their potential in terms of (applied) oriented projects. With regard to their strong position in the field of project management, it is not a problem for these institutions to prepare relevant projects. However, the necessary forms of cooperation at the regional level are missing, through which the transitional elements of socio-economic development would be strengthened with other actors (enterprises, NGOs, municipalities).
- In terms of deadweight, NGOs are basically unable to operate in the long term without subsidies. In the regional workshops, it was emphasized that in order to implement projects with credit financing, it is necessary to generate profit in the long term, which is not the main objective for NGOs in their activities.

**Representatives of smaller enterprises** have only a very limited understanding of the broader transformation processes in the region. The following items emerged:

- As a rule, these are pragmatic thinkers who deal with the day-to-day agenda of the enterprise and the relevant operation, with limited understanding of the broader aspects of development.
- However, medium-sized enterprises are very active in the preparation of ESIF-funded projects and are very targeted in their preparation for the relevant calls.
- They find the process complicated by excessive bureaucratic burdens. The deadweight of project plans among entrepreneurs varies widely in relation to the extent to which enterprise competitiveness is strengthened. If it is a major investment strengthening the enterprise's market position, the deadweight is 80-100%, but this is related to the financial strength of the enterprise. Smaller enterprises showed a significantly lower deadweight of 30-50% in the survey.

***Main barriers affecting the absorption capacity of smaller entities***

Respondents identified many problems related to project preparation/planning. Given the high administrative complexity of projects, the TA team compiled an overview of the parameters of the issue in the individual questionnaires for respondents to be able to specify this issue more precisely and, in particular, to identify possible solutions. **The administrative complexity was confirmed as a cross-cutting problem, especially for smaller entities without greater possibilities to ensure this agenda on their own. The following sub-problems have been identified:**

- The time-consuming nature of preparing project applications and the fear of the administrative complexity in project implementation, which even experienced respondents often faced.
- Filling in the content of the project application, requirements for project application annexes, preparation of the project proposal budget.
- Over-complication of the rules (including frequent changes in conditions).
- Complicated, non-intuitive system.
- Too many administrative checks.
- The procurement area is particularly problematic in the area of innovative projects (i.e., the need to set a fixed line item budget for several years ahead with little flexibility, which is a very long time given technological advances).
- The deadlines for the administration of applications are also problematic, which was supported by another comment (inadequate communication regarding the announcement of calls).

**The administrative complexity is usually linked to the lack of qualified human resources for smaller applicants.** In this case, however, a chain of related problems is triggered, where insufficient human resources at the applicant in question also cause a low awareness of the details of the various funding opportunities, followed by low or no activity in submitting potential project plans, resulting in poor project management experience (preparation of applications, project budgets, interim monitoring reports, etc.). For this reason, consultancy is extremely important and is usually implemented through LAGs or consulting companies. The lack of qualified human resources is not as fundamental for NGOs as it is for enterprises or smaller municipalities. NGOs are generally well aware of grant opportunities but face financial barriers to funding their own staff, as they often have a predominantly volunteer-based role in their activities.

**The regional workshops also confirmed the issue of inconsistency and incoherence in the set system of controls in operational programmes.** In this context, smaller entities are burdened with a great deal of uncertainty in situations where interim controls are confirmed by the managing authorities that everything is in order. However, after the completion of project implementation, it often happened that certain errors were found after the control of other state administration bodies (e.g., Audit Authority of the Ministry of Finance, financial authorities). This element in the implementation system often discourages smaller entities to prepare and implement projects funded by subsidies.

**Other absorption capacity barriers relate to the issue of co-financing and pre-financing of ESIF projects, especially for NGOs and smaller municipalities.** In the case of NGOs, subsidy policy is an existential issue, but the system of set funding is often a barrier to the expansion of necessary activities. However, the co-financing or pre-financing system is a clear barrier to project implementation. For municipalities, this is particularly the case for large infrastructure projects, which can often only be dealt with through a subsidy and the corresponding pre-financing can be dealt

with in the form of a commercial loan. Smaller enterprises are also able to secure appropriate pre-financing and co-financing.

### ***Adequate awareness of applicants as a factor of absorption capacity for smaller entities***

**The research also identified topics where potential applicants would most welcome increased awareness. Interest in the PJT was confirmed among all respondents, as it is a completely new operational programme.** In particular, one respondent was interested in the structure of this programme, the call schedule, the basic conditions and implementation of the application process, the mandatory annexes. Overall, the respondents stressed the need for more information education on the preparation and implementation of the PJT.

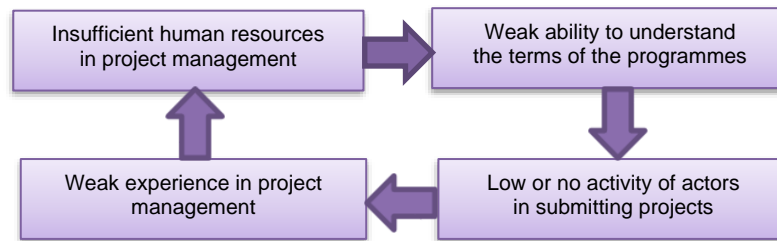
**In the regional workshops, the consensus among participants was that the process of finding the necessary information is becoming more and more demanding, with the addition of various software systems, which is then followed by increased administration.** Therefore, smaller entities are increasingly forced to hire consultancies to assist with project preparation and implementation, further increasing the cost of investment implementation. The workshop in Karlovy Vary also identified a **greater need for staff capacity building of the PJT Managing Authority.** In the opinion of the workshop participants, the understaffing of this MA is evident, which affects the quality and scope of services provided to potential applicants of this specific and completely new operational programme. Although there is a regional office of the SEFCR within the Karlovy Vary Region, it will be necessary to establish a so-called regional PJT consultation point in the region (similar to the IROP), to promote more among potential OPST applicants the existing possibilities of personal consultations with representatives of regional RSCs, or to use the services of RE:START consultants or representatives of the OPST MA (MoE) in the coal regions. The workshop participants appreciated the implementation of informative events during the first half of 2023, however, for specific questions it is necessary to have a regional PJT consultation point to which applicants and beneficiaries will be able to turn regularly.

**Regarding other training topics, differences between respondents emerged. In the case of municipalities, interest in project management was particularly strong in the Ústí Region. Similarly, NGOs interested in the area of "Project financial preparation, budget, schedule" also view project management as important.** By contrast, this issue was not significantly demanded by municipalities in the Karlovy Vary and Moravian-Silesian Regions, which is due to the fact that project management is mainly provided for small municipalities by external consulting companies and therefore they do not consider training in this area to be entirely beneficial. Municipalities already assume that the process will be complex and they do not have sufficient and qualified staff to do it themselves. Project management was not requested by representatives of school establishments. However, **enterprises were more interested in information on project preparation.** The content of project preparation, project phases, roles and responsibilities of partners, key prerequisites for success are the most requested topics. Similarly, there is interest in the area of project management and administration in the implementation phase. In general, project preparation involves the identification of financial instruments and the ability to navigate the programmes. Thus, in the case of enterprises, a combination of a training approach and various mentoring or consulting activities in the preparation of specific project plans seems appropriate.

**Regarding thematic areas of project preparation,** the greatest interest among municipalities was shown in the areas of environment, climate, energy, culture, and tourism. The least interest was shown by municipalities in the area of education and retraining, which, on the contrary, enterprises are very interested in. Enterprises are also interested in the "Do No Significant Harm" topic. Enterprises also require training in the area of combining financial resources to achieve some comprehensive result. In the regional workshop in the Moravian-Silesian region, there was a consensus that there is no need for businesses to significantly expand the range of existing information tools. On the contrary, it is necessary maintain the current state of the process of informing businesses. It is not realistic for regional agencies to provide individual mentoring to individual applicants given their staff capacities. This can only be done to a limited extent in cases where enterprises have a well-defined project plan with clear innovation potential. This partial conclusion from the regional workshop can also be applied cross-sectionally in all three coal regions, i.e., it is generally necessary to raise wider awareness and provide general information through standard tools, i.e., websites, social networks, training, etc.



**Figure 7: The vicious circle of obstacles for small actors: *human resources and administrative capacity***



**The awareness of smaller actors in the absorption capacity** in public expenditure programmes has been identified as one of the most important elements. Figure 7 illustrates the continuity of some of the significant negative preconditions for the potential involvement of smaller actors in the process of public spending. **The diagram is described as a vicious circle of obstacles for smaller actors in terms of their human resources and administrative capacity, reflecting** the factors that emerged from the empirical research and the regional workshops. The problem of administrative complexity is closely linked to the lack of qualified human resources for smaller applicants. Smaller entities have weaker staff capacity or financial budgets to fund external consultancy. This triggers a chain of downstream problems. If these entities do not have sufficient human resources, this usually significantly reduces the ability and capacity to understand or navigate a wide range of public expenditure programs. This situation usually results in low or no activity in project submissions or low success rates in obtaining funds under grant programmes. This is then followed by poor project management experience in that the entities in question implement projects only sporadically, which in turn leads to long-term problems in the lack of experienced human resources within project management. For this reason, **consultancy is very important**, which is usually implemented through local action groups, micro-regions, or consultancies.

## 5. CONCLUSIONS AND RECOMMENDATIONS

### 5.1 Concluding remarks on the absorption capacity of small entities

This report represents the output of Task 2 and builds on the compiled secondary data analyses, evaluation of relevant studies and analyses, evaluation of empirical research results (February and March 2023), and verification of findings and draft recommendations in three workshops with relevant stakeholders in all three coal regions (June 2023).

**In conclusion, it should be fully reflected that the intensity of awareness raising, educational and information activities was fundamentally different at the beginning of 2023 and at the end of the first half of 2023.** The PJT MA, in coordination with the TA team, started to target information more strongly to the coal regions given that calls for projects were already in full swing or in preparation. In this sense, outreach activities are improving significantly. This development also corresponds to the implementation phase of the PJT, which was approved much later than the other operational programmes. **As this is a specific Operational Programme with new support instruments, it will be necessary to continue to pay considerable attention to the methods and intensity of communication with potential applicants and potential beneficiaries. The rationale for this activity is the pursuit of the objective of transformation in coal regions.**

Taking into consideration the specific experience of guided interviews with representatives of smaller entities in coal regions, the TA team considers it important to conclude this report with some remarks that emerged as learning lessons from the empirical research. These comments have relevance (both directly and analytically) to the issue of the absorption capacity of small entities.

#### 1) Enterprises

- As in other research (e.g., ISFC, 2022), this research showed little interest from enterprises to participate in interviews. This not only complicated the implementation of the survey, but also indicated the follow-up problems associated with enterprises on the topic of absorptive capacity.
- Enterprises are still interested in projects that do not have sufficient transitional potential (e.g., support for car expenditures, etc., which do not fundamentally shift enterprises or the region).

- The probing nature of the empirical survey, due to the small sample of interviews, made it possible to identify a wide range of answers to the same question, e.g., “I do not care about subsidies at all”, “subsidies are great”, “wonderful”, “all institutions that provide subsidies work perfectly.” Interpretation of this research was more challenging in the end due to the need to study the specific cases of individual respondents.

## 2) NGOs

- Criticism of the preparation and first outputs of the MoE + SEFCR (but also praise for the helpfulness in the preparation of strategic projects).
- NGOs (including retraining institutions) effectively have no chance in the PJT.
- In the interviews, there was agreement with most of the problems related to preparation and implementation. The support system is not transparent and the administrative burden is high.
- Little knowledge of other types of support and their benefits. However, most alternatives are essentially irrelevant for NGOs (e.g., soft loans, capital inputs, guarantees, etc.). In terms of the system of functioning of NGOs in their financing, only grants and vouchers can be considered as a form of support.

## 3) Municipalities / LAGs

- In the case of larger projects, smaller municipalities are directly dependent on advisory assistance, usually from the LAG or the administrative apparatus of the micro-region. Only rarely are municipalities able to prepare and implement projects on their own without problems.
- From the perspective of the municipalities, the PJT should facilitate the elimination of the biggest differences in the territory (e.g., digitalisation) enable the minimum standard (e.g., for digitalisation) and the largest differences in the territory to be met.
- Little knowledge of other sources, beyond operational programmes. Vouchers are perceived as a good idea, but there is still minimal experience with this form of funding.

## 5.2 Concluding remarks on barriers in relation to JTF

**A major barrier to the implementation and absorption capacity of the JTF among smaller actors is the overall understanding and ability to actively participate in the Just Transition process.** Most smaller municipalities and NGOs (including LAGs) have long perceived the transition process but do not feel they are fully part of it due to the lack of communication from the regional and national level (as of February/March 2023). This shortcoming persists even at the end of the half-year 2023, when regional workshops with representatives of smaller stakeholders were conducted and partial criticism was voiced on this issue. The information and training activities on the PJT, which started to be fully implemented from spring 2023, are perceived positively. **Nevertheless, it will be useful to establish PJT consultation points in all three coal regions for ongoing communication with smaller applicants, or to start promoting existing structures and relevant staff and consultants in each region more.** For example, NGO representatives point to a certain information overload on the one hand, and the inability to obtain specific ad-hoc information in certain specific cases.

**Enterprises** apply their activities pragmatically in relation to their business and usually show interest only at the moment of the financial opportunity (announcement of the call). This situation is not entirely desirable for understanding the Just Transition process. As a consequence, enterprises are then **interested in projects that do not or may not have sufficient transition potential** and are therefore not suitable for the PJT.

**For smaller actors, it can be a significant long-term obstacle if awareness is not raised among actors that can play some intermediary role in the Just Transition process, e.g., LAGs, micro-regions, consulting companies.** In particular, LAGs or micro-regions can have a significant added value in the territory in the area of further dissemination of information on just transition.

### **Key issues in developing absorptive capacity in coal regions:**

- **The Karlovy Vary Region** has an institutional disadvantage given the absence of an RDA – an obstacle for both the ESIF and PJT. It is also necessary to build a supporting infrastructure for start-ups, new technologies and research activities.

- **The Moravian-Silesian Region** is making significant progress towards completing a successful transition thanks to its long-term strategic leadership, stable political situation and a system of regional development agencies. However, the transition process is perceived in the region as a process that mainly concerns large enterprises. SME involvement and industrial diversification is both crucial and promising. According to the conclusions of the regional workshop, the process of diversification takes place at several levels (e.g., small vs. large enterprises, business vs. employment structure, sectoral diversification). The interest of the region is to use the PJT to create a larger and stronger infrastructure that will create a wide range of conditions for the development of different business activities.
- **The Ústí Region** is characterised by a number of socio-economic problems related not only to the impacts of opencast and deep coal mining, which require comprehensive institutional support and assistance. In this sense, measures aimed at building social infrastructure and community development will be absolutely necessary. However, the potential capacity of smaller stakeholders to prepare project applications has long been the lowest in the Czech Republic. From this point of view, it is the biggest barrier to the implementation of the PJT.

### 5.3 Recommendations to strengthen the absorption capacity of small entities

This section presents the recommendations that emerged from the analytical work, the empirical investigation, were discussed in the Project Steering Committee meetings and subsequently verified in the regional workshops.

**Recommendation 1: Strengthen the transformative potential of the PJT and thus the initial absorption capacity of smaller actors**

<b>Recommendation 1.1</b>	<b>Strengthen the awareness of potential PJT applicants among smaller stakeholders about the possibilities of obtaining specific information about consultations on their upcoming projects from existing staff and consultants of regional RSCs and MAs at the regional level (in the form of a one-stop-shop or regional PJT consultation point).</b>	
<b>Explanation</b>	<p>Absorption capacity among smaller entities in the coal regions is directly proportional to awareness of the subsidy opportunities of the PJT.</p> <p>Outreach activities have been delayed since early 2023 due to the late approval of the programme document. The readiness of the actors to prepare the relevant projects will depend on the right communication activities (long term and ongoing).</p> <p>It is necessary to keep potential PJT applicants informed about the current status of the PJT implementation at regular monthly intervals (especially for smaller municipalities, NGOs, and enterprises), e.g., announcements about calls, vouchers, timetables, etc. The theme of Just Transition needs to be further communicated to the territory. Timely and sufficient information is the basis for the potential involvement of smaller actors, e.g., terms of calls, when they will be announced, etc.</p> <p>This is a recommendation that can be implemented in 2023-2024. The recommendations concern only JTF support in the Czech Republic. As part of this recommendation, it will be necessary to promote more information among smaller stakeholders about the possibilities of consulting projects for PJT with relevant staff and consultants of the MA at the regional level (i.e., representatives of the regional RSC, or use the services of RE:START consultants, or representatives of the PJT MA MoE). This staff would be able to provide the necessary information and answers to relevant questions, i.e., to directly contact the responsible persons or relevant PJT departments (one-stop-shop form).</p> <p><i>Note:</i> Note: However, empirical research and workshops have shown that in the long term, representatives of smaller stakeholders need strategic assistance in the preparation of projects. This is an opportunity to approach representatives of, e.g., a regional development agency, a micro-region, or LAG, who will be able to advise them on funding opportunities across the different sources available, i.e., ESIF, JTF, financial instruments, etc. This recommendation falls under long-term actions; see recommendations 5.1, 5.2 (and partly 4.1).</p>	
<b>Responsibility</b>	PJT MA	<b>Timeframe</b>
		Until second half of 2024

<b>Recommendation 1.2</b>	<b>Maintain a high level of awareness on the objectives of the transition process</b>		
<b>Explanation</b>	<p>The clarity of the whole system of Just Transition will depend on the capacity of the transformation agencies and institutions involved in the implementation of the PJT. However, this agenda needs to be pursued in a systemic and long-term manner. Moreover, these activities strengthen the building of the necessary trust between partners, which is needed especially in the Ústí and Karlovy Vary Region, where the institutional (agency) background for regional development is gradually becoming established. The ability to communicate with key stakeholders and potential applicants is essential to ensure that the complex objectives of the transition of coal regions in the Czech Republic are understood.</p> <p>The transition potential in relation to smaller entities is still underestimated in terms of the weaker use of LAGs and micro-regions, which have considerable potential in their functioning. Therefore, it is necessary to deepen the still limited cooperation of regions with LAGs and micro-regions in the sense of supporting the involvement of smaller entities in the transition process.</p>		
<b>Responsibility</b>	PJT MA Coal regions and their agencies	<b>Timeframe</b>	Ongoing

<b>Recommendation 1.3</b>	<b>Greater sharing of good practice at international level on the topic of transition - more intensive use and promotion of results using EU level support (i.e., "Initiative for coal regions in transition", Just Transition Platform, Interreg Europe 2021-2027)</b>		
<b>Explanation</b>	<p>The empirical investigation revealed a need for greater sharing of international experiences on various topics of just transition. As the PJT does not include networking of coal regions across Europe as an eligible expenditure, it will be necessary to further strengthen the participation of the PJT MA in the existing platforms and programmes. In particular, the "Initiative for coal regions in transition"<sup>13</sup>, under which, for example, the "exchangeEU programme" was running between 11/2021 and 06/2023<sup>14</sup>, focused on the sharing of good practises (see <a href="#">weblink</a>), or the Just Transition Platform (see <a href="#">weblink</a>). In addition to mutual inspiration, networking support should aim at creating joint transformation projects (non-investment) at transnational level (in the field of strategic planning), for which the INTERREG EUROPE programme (2021-2027) could be used synergistically (see <a href="#">weblink</a>).</p>		
<b>Responsibility</b>	Coal regions	<b>Timeframe</b>	2024-2027

**Recommendation 2: Reducing administrative complexity and facilitating project preparation**

<b>Recommendation 2.1</b>	<b>Prepare guidance project templates in the selected thematic calls of the PJT</b>		
<b>Explanation</b>	<p>Grant opportunities are often opaque for applicants (especially smaller entities). To better understand the objectives of the grant scheme and reduce confusion, it is necessary to prepare template projects that will facilitate the applicants' work in terms of understanding the logic and approach of the grant. In addition, the rules for the new calls for applications need to be communicated well in advance to potential applicants. In general, the opacity of grant schemes is usually the first administrative barrier for potential smaller applicants to apply for specific forms of support at all. Project templates can significantly facilitate applicants' understanding of the announced thematic calls. A very instructive "<i>Information and tips for applicants - creating and editing an application</i>" is available on the PJT website, which could be further supplemented with concrete examples of completed project application templates. The following thematic calls appear to be appropriate in this respect:</p> <ul style="list-style-type: none"> <li>• Support area "People and skills", title of the call "Vocational classrooms" (beneficiaries are secondary schools)</li> </ul>		

<sup>13</sup> See: [https://energy.ec.europa.eu/topics/oil-gas-and-coal/eu-coal-regions/initiative-coal-regions-transition\\_en#international-collaboration](https://energy.ec.europa.eu/topics/oil-gas-and-coal/eu-coal-regions/initiative-coal-regions-transition_en#international-collaboration)  
<sup>14</sup> See: [https://energy.ec.europa.eu/topics/oil-gas-and-coal/eu-coal-regions/exchangeeu-programme\\_en#goals-and-benefits](https://energy.ec.europa.eu/topics/oil-gas-and-coal/eu-coal-regions/exchangeeu-programme_en#goals-and-benefits)

<b>Recommendation 2.1 Prepare guidance project templates in the selected thematic calls of the PJT</b>			
	<ul style="list-style-type: none"> <li>• Support area "Digital Innovation", call title "School Connectivity" (beneficiaries are primary and secondary schools)</li> <li>• Support area "Circular economy", call title "Innovations in the circular economy" (beneficiaries are all entities except natural persons not in business and other beneficiaries excluded by the rules for applicants)</li> <li>• Aid area "Entrepreneurship", title of the call "Craft incubators" (beneficiaries are public entities, non-profit organisations, SMEs)</li> </ul> <p><i>Note: The TA team develops the project templates under the group projects (groups of projects) in Task 3. A similar approach should be applied in the case of selected thematic calls of the PJT.</i></p>		
<b>Responsibility</b>	PJT MA, Regions	<b>Timeframe</b>	Second half of 2023
<b>Recommendation 2.2 Establish standard information tools to support the sharing of experiences between applicants and beneficiaries (discussion forums for networking between applicants and beneficiaries)</b>			
<b>Explanation</b>	<p>This recommendation aims to improve communication and awareness. Smaller applicants are often not sure what they can get funding for or whether they can get funding at all. This aspect is due to the lack of functional communication channels between actors in the public funding field. In this sense, it is advisable to strengthen information and answer questions in a timely manner. Appropriate tools such as discussion forums for applicants, generally networking of applicants, can therefore be used. An example is the <i>Online Discussion Forum (Digital Skills &amp; Jobs Platform)</i>, which only works for registered stakeholders - see <a href="#">weblink</a>. Participants can network, share opinions by the title of each discussion topic, in which individual posts, comments can be traced.</p> <p>The Managing Authority has already set up a platform for "FAQs" on the PJT website (see <a href="#">weblink</a>), which it is continuously updating. This is a very good approach for sharing experiences. However, as of June 2023, it has so far contained only three categories of topics for discussion, i.e., (1) PJT Background Information and Questions, (2) Strategic Projects, (3) Connectivity and Vocational Classrooms, which represents a rather broad range of questions on a very specific thematic call of the programme.</p>		
<b>Responsibility</b>	PJT MA	<b>Timeframe</b>	Second half of 2023 or first quarter of 2024
<b>Recommendation 2.3 Promote awareness of the differences between grants and financial instruments</b>			
<b>Explanation</b>	<p>The empirical research and regional workshops have shown that Pillar 3 of the JTM is effectively inaccessible for smaller municipalities and may not be understandable to smaller and medium-sized towns. On the one hand, e.g., framework loans with EC subsidies are available only for municipalities from Czech coal regions, whose investment costs should be in the range of CZK 100 to 600 million. However, this level of investment is irrelevant for smaller municipalities. Smaller municipalities require significantly lower funding levels. In addition to this financing scheme, the NDB also provides "Regional Development Fund loans", which are intended for all municipalities in the Czech Republic except for the Capital City of Prague. Prague and statutory cities. Under this scheme, loans of up to EUR 30 million are available. They can be combined with subsidies (possibility of early repayment of subsidies). In other words, opportunities exist for smaller municipalities, but it will be necessary to communicate them more towards smaller applicants.</p> <p>Given the limited awareness of the possibilities of financial instruments to date, it would be useful to prepare interactive guidance tables of examples. The tables could model examples of potential savings comparing the cost of pre-financing grants vs. loans and the impact of inflation over the period. For decision makers at the local level, these publicity tools would have a very strong influence and impact. This is a primary activity through the NDB with partial cooperation and support from the MoF.</p>		
<b>Responsibility</b>	NDB with the support of MoRD	<b>Timeframe</b>	Second half of 2023

**Recommendation 3: Reduce the administrative complexity of project implementation and facilitate project implementation**

<b>Recommendation 3.1</b>	<b>Ensure greater coherence and consistency of control mechanisms by strengthening the single audit principle</b>		
<b>Explanation</b>	<p>Specify the system of controls in greater detail, which are often only formal and administrative in nature. Moreover, different types of controls (MA vs. audit authority) have in practice completely different conclusions for the same audited entity. However, the associated costs are always borne exclusively by the audited body. Thus, in recent years, the possibility of a greater application of the single audit principle, which means greater use of the results of financial audits between the bodies of individual control bodies, has been more widely discussed in the practise of implementing operational programmes. However, such an approach requires a greater degree of coordination and mutual harmonisation in procedures and the sharing of results of audit activities. As can be seen from the document of the Ministry of Finance (2022, p. 3), the following is necessary to ensure the practical application of this principle:</p> <ul style="list-style-type: none"> <li>• <i>"sharing of information on planned inspection activities between inspection bodies;</i></li> <li>• <i>requesting data, information and audit documents (including the results of financial audits) relevant to the subject of the planned audit from other audit bodies that have already carried out financial audits on a similar subject;</i></li> <li>• <i>verification and assessment of the scope of the financial control already carried out and the control methods and procedures used by another control body;</i></li> <li>• <i>acceptance of the relevant results of the previous financial control."</i></li> </ul> <p>If the results of the previous financial control are not accepted, the OPST MA should subsequently require proper justification in such cases and subsequently reassess the practise in its control activities.</p>		
<b>Responsibility</b>	PJT MA, MoRD in coordination with the Ministry of Finance	<b>Timeframe</b>	Ongoing
<b>Recommendation 3.2</b>	<b>Greater flexibility to change the project budget for innovative projects in the thematic call "Innovation in Circular Economy"</b>		
<b>Explanation</b>	<p>Public procurement is particularly problematic in the area of innovative projects, which in the case of the PJT only concerns the thematic call "Innovation in the Circular Economy". The problem for technologically innovative projects is the need to set a fixed line-item budget for several years with little flexibility, which is a long time given technological progress. Changes are very administratively demanding. The thematic call "Innovation in the Circular Economy" allows beneficiaries to finance in eligible expenditure the purchase of tangible assets (equipment) and intangible assets, in particular the acquisition of new equipment not built into a building, technology, software, etc., following completed or ending research projects registered in the Information System for Research, Experimental Development and Innovation. In practise, this means allowing expenditure on types of items that may not be established in the market in terms of price. In this sense, it is advisable to give beneficiaries more room for manoeuvre in potential changes in the structure of the project budget, provided that the expected objectives of the project, including its results and outputs, as described in the project application, are not adversely affected.</p>		
<b>Responsibility</b>	PJT MA	<b>Timeframe</b>	2024 and on an ongoing basis
<b>Recommendation 3.3</b>	<b>Conduct an assessment on human resources and processes regarding potential strengthening of the staff capacities of the PJT MA</b>		
<b>Explanation</b>	<p>The empirical survey identified sub-problems with the PJT's responsiveness to the sub-problems. This situation is closely related to the specificities of this completely new type of operational programme, which has intervention areas complementing the standard sectoral operational programmes in selected coal regions. In this sense, the workshop in Karlovy Vary further identified a greater need for staff capacity building at the PJT MA. In this sense, it will be necessary to carry out an assessment on human resources and</p>		

<b>Recommendation 3.3</b>	<b>Conduct an assessment on human resources and processes regarding potential strengthening of the staff capacities of the PJT MA</b>		
	processes at the level of PJT MA, which should focus on the verification of the staffing load in relation to the existing staff workload and other staffing needs of individual OP implementation agendas. The identified staffing base of this MA negatively affects the quality and scope of services provided to potential applicants for this specific and completely new operational programme. The MA should be prepared to communicate directly and more intensively not only with the main implementation bodies, but also with potential applicants and beneficiaries.		
<b>Responsibility</b>	PJT MA	<b>Timeframe</b>	Second half of 2023 or first quarter of 2024

**Recommendation 4: Strengthen the capacity of consultancies, LAGs and micro-regions (training of trainers)**

<b>Recommendation 4.1</b>	<b>Continuous training of trainers in coal regions</b>		
<b>Explanation</b>	<p>The empirical survey with representatives of municipalities shows that the size of the applicant entity and the associated size and professionalism of the apparatus play a very important role. Therefore, LAGs, micro-regions and consulting bodies also have an important role to play as intermediaries for smaller applicants (mainly in the field of consultancy and methodological guidance). For this reason, it will be necessary to strengthen the so-called training of trainers, through which it will be possible to ensure a greater distribution of the knowledge and experience base in project management during the implementation of the PJT. The empirical research with smaller entities confirmed the importance of these intermediary organisations, but it also shows a not entirely unambiguous positive experience with consulting firms. Therefore, it will be necessary to strengthen cooperation with this group of entities to positively influence the absorption capacity of smaller entities; see, for example, the functional tool of the project incubator, the hackaton, where teams can exchange project design experiences with mentors and other teams.</p> <p>It will therefore be crucial to support the absorption capacity of small actors through existing institutional structures (in particular LAGs and micro-regions). The setting and focus of these trainings should correspond to the specificities of each coal region. The OPST MA should provide assistance in this respect as part of its activities to strengthen awareness of the programme. According to the results of the empirical survey, the need for training on topics related to the content of project preparation and the specifics of project management in relation to different types of subsidy programmes emerged.</p>		
<b>Responsibility</b>	Coal regions with the support of the PJT MA	<b>Timeframe</b>	Ongoing

**Recommendation 5: Strengthen institutional capacity for project preparation in the Karlovy Vary and Ústí Regions**

<b>Recommendation 5.1</b>	<b>Establish a regional development agency in the Karlovy Vary Region</b>		
<b>Explanation</b>	<p>In the case of the Karlovy Vary Region, respondents identified a clear disadvantage in the region's absorption capacity, which lies in the absence of a regional development agency. Additionally, in the opinion of municipal representatives, there are not enough private consulting companies in the Karlovy Vary Region. For consulting companies, it is necessary that there is sufficient trust on the part of potential applicants, which is created in the long term. Therefore, establishing a regional development agency could alleviate this problem. This recommendation should be implemented after the completion of Task 6 of this TA project, following the sharing of experience with the Moravian-Silesian Region. The primary responsibility would lie with the Karlovy Vary Region.</p>		
<b>Responsibility</b>	Karlovy Vary Region	<b>Timeframe</b>	Second half of 2024

<b>Recommendation 5.2</b>	<b>Strengthen the agency system for the development of the Ústí and Karlovy Vary Regions</b>		
<b>Explanation</b>	<p>The institutional capacity of the Ústí and Karlovy Vary Regions should be further strengthened through agencies that would directly focus on exploiting the industrial character of both regions, including in cross-border cooperation with Germany.</p> <p>This recommendation should be implemented only after the completion of Task 6 of this TA project, following the sharing of experience with the Moravian-Silesian Region. In the case of the Ústí Region, the strategic project of the Ústí Region <i>Transformation Centre</i>, which brings together existing and newly created development institutions, will play an important role. The primary responsibility lies with the Karlovy Vary and Ústí Regions, but close cooperation with the MoRD can be expected following the outputs of Task 6 of this TA project.</p>		
<b>Responsibility</b>	Karlovy Vary and Ústí Regions (partly MoRD)	<b>Timeframe</b>	Second half of 2024
<b>Recommendation 5.3</b>	<b>Initiate discussions on the 2027+ transition steps with representatives of smaller stakeholders (municipalities, NGOs, businesses)</b>		
<b>Explanation</b>	<p>It is necessary to start thinking about and preparing the subsequent support for transition after the end of the 2021-2027 period, as it is not realistic to implement all transformation steps during one programming period. Particular emphasis should be placed on the specificities of smaller stakeholders in coal regions and their long-term potential and prospects in the transition process.</p>		
<b>Responsibility</b>	MoRD, PJT MA, Regions	<b>Timeframe</b>	2024 onwards



## 6. REFERENCE LIST

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<sup>15</sup> For the period 2021-2027, "operational programmes" are now referred to as "programmes".