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**The Director**

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**Subject: Position paper on the Operational Programme Transport, CCI  
2007CZ161PO007**

Your Excellency,

Please find below the European Commission's position paper on the Operational Programme Transport. The Operational Programme was submitted officially to the Commission by the Czech authorities on March 2007. It was declared admissible by the Commission services on 16 March 2007. Based on the first analysis of the document, an initial letter of official comments was sent by the Commission on 4 April 2007. The Czech authorities replied to the initial comments on 15 May 2007.

Please note that the presented official position paper takes into account the comments of other Commission services raised during inter-service consultations.

Herewith I would like to invite you to prepare a new version of the Operational Programme Transport, which would take into consideration the detailed comments of the position paper.



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## **1. PREPARATION OF OP**

### **Partnership**

The Article 11 of the Council Regulation 1083/2006 envisages that the relevant partners, including environmental partners, should be fully involved in the preparation, implementation, monitoring and evaluation of an OP. This is an area of concern for the Commission given the fact that the reply of the Czech authorities to the initial comments of the Commission services is not sufficiently reassuring. Although the names of the consulted partners are now included in the revised version of the OP Transport, it is still not clear what where their comments, if any, and if and how they have been taken into account. Commission asks for further details on timings in the consultation process and what were the recommendations of NGOs which were, according to the reply to the initial comments, represented by the Studio for the Environment.

## **2. SOCIO-ECONOMIC ANALYSIS**

The socio-economic analysis provides a poor overview of the problems in the Transport sector in Czech Republic. It should therefore, be completed with a better description of the demand by transport mode (roads, rails, urban transports, inland waterways and air transport), as well as, an assessment of all transport modes on traffic intensities in the future. Conclusions individually for roads, railways, urban transports and inland waterways, need to be more developed and more precise to constitute a good basis for the further identification of priorities.

An accessibility analysis should be necessary to provide evidence of the identified priorities.

## **3. STRATEGY AND PRIORITY AXES**

The OP Transport strategy for the 2007-2013 period needs to be redrafted. The reference of the improvement of accessibility by transport as general strategic objective of the OP is a start point but it is not sufficient as such especially given the importance of the financial weight of this OP (5.7 bn € of EU financing– app. 21% of the total EU financing of the NSRF).

Therefore, the reference made to this strategic objective is very vague. As an example of comparison, in the energy sector - OP Environment, the Czech authorities are not only referring to the national Energy Plan but give also details about what it contains this plan and what its objectives are. That is lacking on the OP Transport where there are no sufficient details about the approved National Transport Plan for 2005-2013, in order to enable the Commission services to know what the overall strategy and policies are and how they are linked with the seven (7) priorities of the OP indicated below:

Priority axis number	Priority axis name	Fund/Rate of co-financing referred to	Community contribution	Total budget
1	Upgrading the TEN-T Railway Network	FS/public	2 190 331 352	2 576 860 414
2	Construction and Upgrading the Motorway and Road TEN-T Network	FS/public	1 607 696 540	1 891 407 695
3	Upgrading the Railway Networks outside of TEN-T Network	FS/public	393 547 402	462 996 944
4	Upgrading Class I Roads outside of TEN-T	ERDF/public	1 051 016 928	1 236 490 504
5	Upgrading and Development of the Prague Underground and of Systems for the Management of Road Transport in the City of Prague	FS/public	330 076 926	388 325 795
6	Support for Multimodal Transport and Development of Inland Waterway Transport	ERDF/public	119 426 722	140 502 026
7	Technical Assistance	FS/public	81 985 333	96 453 333
<b>Total</b>		<b>ERDF+CF</b>	<b>5 774 081 203</b>	<b>6 793 036 711</b>
<b>Total</b>		<b>ERDF</b>	<b>1 170 443 650</b>	<b>1 376 992 530</b>
<b>Total</b>		<b>FS</b>	<b>4 603 637 553</b>	<b>5 416 044 181</b>

### 3.1. Coherence with CSG, Lisbon objectives

Coherence between the programme and priorities of Community Strategic Guidelines: The text of OP is linked mainly to the CSG priority n° 1 "Making Europe and its region more attractive place to invest and work".

### 3.2. Ex-ante evaluation

The full version of the Ex-ante evaluation has been submitted and the overall quality is judged to be acceptable. Nevertheless, it would be useful to link the conclusions of this document with the obligation (article 37.1b of Regulation 1083/2006) to justify the strategic choices made and the priorities chosen having regard to the ex ante evaluation exercise.

### 3.3. SEA information

The Czech authorities provided the Commission with all the requested documents concerning the SEA on 18 June 2007. Commission services have examined them and concluded that the formal requirements concerning the SEA have been met. The Czech authorities should still, in a latter stage, provide sufficient evidence on how the major projects (listed on the indicative list attached to the OP), ones approved, have been assessed within the SEA. In the case of trans-border major projects (such as Brno-Vienna) Czech authorities should provide a transboundary impact assessment.

### 3.4. Assessment of the strategy

3.4.1 Taking into account the introductory comments in chapter 3 above, it is expected that the Czech authorities will indicate in the strategy chapter of the OP the main lines of the Transport strategy for the period 2007-2013. The strategic objective "Improving accessibility to transport" does not provide the rationale on what will guide the future options on transport infrastructure development and an analysis of the prioritisation factors is missing. Moreover, Commission's services suggest that elements of the National Transport Plan for 2005 – 2013, as it was proposed by the Ministry of Transport and approved by the Czech Government on 13 July 2005, should be included in the 2007-2013 OP Transport in order to give a sound basis of the chosen priorities.

For reasons of clarity the Czech authorities are invited to indicate in the text of the OP that the priority projects of the Trans-European Transport Network in the Czech Republic as identified in Decision 884/2004 are: "Project No. 22 Railway axis Athina-Sofia-Budapest-Vienna-Prague-Ntrnberg/Dresden; Project No. 23 Railway axis Gdansk-Warsaw-Brno/Bratislava-Vienna; and Project No. 25 –Motorway axis Gdansk-Brno/Bratislava-Vienna" and therefore make reference to the Trans national agreements concluded so far, leading to the fulfilment of this objective.

Last but not least, the financial aspects of the Transport strategy should include a comparison between the cost of the needs and the available financial resources, including possible PPP's financing and constraints related to lower co-financing rate due to projects generating revenues.

3.4.2 As far as **rail Transport** is concerned, two specific comments should be raised:

a) the Czech authorities are invited to revise **the ratio of financing between roads/rails** given the important weaknesses identified by the SWOT analysis: *"although the Czech Republic is a country with a high-density railway network, the TEN-T railway network has not achieved the desired quality. Inbuilt railway corridors part of the TEN-T network, non renovated junctions, lack of quality connection of all regions to the network, low shares of electrification, insufficient integration of rail transport into logistical processes, old fleet of mobile assets, poor accessibility for persons with reduced mobility or orientation, are the main weaknesses of rails"* and

b) taking into account that the CZ rail network is one of the densest networks in the EU, the rail strategy about the objectives, the priorities and how to

accommodate ongoing funding resources for a network of this size, should be clearly indicated in the strategy chapter of the OP. For e.g. what assessment is done of preferring renovation and upgrading to new build?

**3.4.3** Moreover, in section 2.1.2, the programme mentions that *"Also supported will be the transport infrastructure of ecological rail transport"*. However, no specific priority axis on sustainable urban transport is proposed in the OP Transport covering all actions related to this subject. Instead various general references are found in different priorities as:

- Priority Axis 3 (Upgrading Railway Networks outside of the TEN-T Network) refers to the *"bringing into an optimal condition other national and selected regional lines, including the light rail systems of regional and mass urban transport, or their combination"*.
- Priority Axis 4 (Upgrading of Class I Roads outside of TEN-T) includes *"support for building ring roads and calming traffic in residential built-up areas"*.
- Priority Axis 5 is entirely devoted to the *"extension of the Prague metro and systems for the management of road transport in the city of Prague"*.
- In addition to what is proposed under the Transport OP, the Regional Operational Programmes (ROPs) of the Czech Republic include a separate priority axis related to transport which covers issues related to the upgrading of urban public transport.

To conclude, the following suggestion is to be considered:

In order to increase transparency, the Czech authorities may wish to consider putting all actions related to urban transport in one single priority axis.

**3.4.4** In the chapter 2.4 of the OP there is a development of the main characteristics of the PPPs (strengths and the main elements to be taken into account in the concession of PPP schemes). However, there is no at all any indication about the concrete intentions of the Czech authorities for PPP concessions in relation to the partial financing, construction and operation of the major Transport projects by private partners. The Czech authorities are invited to complete the chapter on PPP in that respect.

## **4. INDICATORS AND EVALUATION**

### **4.1. Assessment of indicators**

This is a large OP of **5 774 081 203 EUR** (the Community contribution) and, therefore, we strongly recommend that objectives of the main priority axes are better reflected by the system of indicators - currently several interventions to be supported by the Structural and Cohesion Funds are not covered by indicators (Czech authorities are invited to apply the

proportionality principle in this regard, i.e. not everything has to be covered by indicators).

As regards **programme and priority axis indicators**: It is not entirely sure (i) whether some impact indicators demonstrate the expected impact of the Structural and Cohesion Funds only or (ii) whether the Structural and Cohesion Funds would significantly contribute to the achievement of these expected impacts (having, at the same time, some other external factors involved). Currently, it looks like many impact indicators demonstrate the expected impact which is not exclusively due to the Structural and Cohesion Fund interventions. In this case, the exact impact of the Structural and Cohesion Funds (their contribution to the achievement of these targets as provided in the OP) can be assessed, for example, during the evaluation process. We recommend that the OP is more precise on these issues even though impact indicators are not required here by the Regulation 1083/2006.

For many indicators **baseline values** are missing. Article 37.1(c) of the Regulation 1083/2006 requires that "the indicators shall make it possible to measure the progress in relation to the baseline situation and the achievement of the targets of the priority axis".

Some of **core indicators** are not defined in line with the Working Doc n° 2 [http://ec.europa.eu/regional\\_policy/sources/docoffic/working/sf2000\\_en.htm](http://ec.europa.eu/regional_policy/sources/docoffic/working/sf2000_en.htm)) which was agreed with the Member States - see, for example, indicators related to time savings (they should be expressed in "Euro/year") – Czech authorities are invited to check also other core indicators whether they are in line with our Working Document No 2 (some of them - e.g. related to time savings - have not been identified as core indicators).

The **Core indicator No 22** of the Working Document No 2 is missing.

"**Number of supported projects**" (indicator: 37 01 00) should be considered as an output indicator and not as a result indicator.

Indicators for **Priority Axis 7** are missing. According to Article 37.1(c) of the Regulation 1083/2006, output and results indicators should be defined for each Priority Axis.

We would suggest using a term "**output indicators**" instead of "**performance indicators**" - as stipulated in the Regulation 1083/2006 and agreed with the Member States in the Working Documents No 2.

Moreover, the system of indicators should be revised and should include also indicators which make it possible to measure impacts of this OP on the environment.

The indicator on "Reduction of greenhouse emissions (CO2 and equivalents, kt)" should definitely be included for all the priority axes (it is the core indicator 30 for ERDF and CF – see the Practical Guide on Indicators).

Priority axes 1 and 2 relate directly to TEN infrastructures and in each case improved accessibility is expected as a result of works completed. In this case an accessibility related indicator could be included in the list.

#### **4.2. Link with "earmarking"**

It should be noted that based on the categorisation of interventions, the OP Transport contribution to the Lisbon types of expenditure could be over 82%. Commission is proposing to earmark Lisbon-related expenditures in this Operational Programme despite there is no regulatory requirement for the Czech Republic to do so. The Commission believes, however, that it would be very useful to have the Czech Republic included among all the other countries that have decided to earmark on a voluntary basis.

### **5. FINANCIAL PROVISIONS**

#### **5.1. Financial provisions**

No comments, unless that Czech authorities should justify the requested co-financing rate of 85% (see point 3.4.1 above).

#### **5.2. Coordination with other Community financial instruments**

**TEN-T** The Commission recently reached an agreement with the Council and the EP on future TEN-T financing. Total budget available is 8 bn € for the 2007-2013 programming period. This is only a fraction of total cohesion financing (e.g. Cohesion Fund financing for transport approximates 45 m€), and all EU member states are eligible to apply for TEN-T funding. Decisions on awards are made following an assessment of applications submitted by Member States. Demands on the budget greatly exceed the total of available funds and in practice complementary support from the TEN-T budget for projects in the Czech Republic is more likely for preparatory studies, ERTMS on the routes of priority projects, and other similar horizontal priorities. Calls for bids, inter alia for funding under the 2007-2013 Multi-Annual Programme (which will account for between 80-85% of the total budget) and for the 2007 annual round, were launched in May 2007. The closing date for submissions is 20 July 2007.

In this respect Commission services have already suggested to the Czech authorities to undertake the comparative studies to help satisfy planning requirements on controversial TEN-T projects such as Wien-Brno motorway, Prague ring road and Brno by-pass. The TEN-T budget could provide a source of support and the authorities are invited to submit suitable applications before the deadline.

**EIB** EIB financing is another source of financing available for transport investment. EIB has been very active in the Czech Republic in the previous decade, especially in supplying loans for motorway investment, but also in railway infrastructure and investment in regional infrastructure recently in

2005. Czech authorities should indicate how and for which type of projects they intend to involve the EIB financing.

**EBRD** In addition to EIB, the involvement of EBRD has been limited in the past to three railway projects and one air transport project. Czech authorities are invited to indicate if and how they intend to involve the EBRD financial resources.

**PPPs** PPPs are explicitly mentioned in the Community Strategic Guidelines as a possible appropriate method of financing investment when there is significant scope for involving the private sector. Apart from the financial leverage positive impacts are expected on construction and operation of projects. Experience with private involvement in transport infrastructure in the form of PPPs has been limited until now. The Czech Republic needs to consider in future new financing methods for further transport infrastructure development needs. Substantive increase of resources apart from the State Transport Infrastructure Fund could be found particularly through the involvement of private finance resources in the transport infrastructure construction.

Moreover, the intention to use Jaspers facility should be developed, especially for the PPP issues but also for the comparison of alternative options to be taken into consideration for some major transport projects (i.e. connexion between Brno and Vienna, Prague ring road and Brno by pass).

## **6. COORDINATION AND IMPLEMENTATION**

### **6.1. Coordination between SFs**

Coordination/overlaps with ROPs: Description of link with other OPs provided for each priority axis is of very general nature and is basically identical for all priority axes. Demarcation criteria are not clearly defined neither the aspect of ensuring an overall coordination of the programmes involved, especially the ROPs which should assure the necessary synergy with the OP transport.

### **6.2. Governance of programmes and projects**

*The principle of separation of functions between and within such authorities (MA, CA and AA)*

The OP states that during programme implementation, the principle of separation of payment, management and control functions among entities involved in programme implementation, as well as within each entity, are adhered to. Compliance with the principle is not well explained, but the structure should ensure the separation of functions at least between the 3 authorities: MA is located in the Ministry of Transport, CA and AA are separate Departments in the Ministry of Finance.

However more information should be given on the separation of management, payment and control functions within the Managing Authority.

*Certifying Authority (CA)*



It should be clearly indicated whether there will be Intermediate Bodies acting on behalf of the Certifying Authority. In this respect, the role and responsibilities of the Financial Section mentioned under point 4.8.1 should be explained. It should be specified whether this Section is involved in the implementation of the OP, and whether and how its independence is ensured.

***Tasks been formally allocated to the IB by the MA***

It should be clearly explained how the tasks delegated by the Managing Authority to the IBs will be allocated.

***Bodies in charge of systems audits***

**The OP indicates that the Audit Authority "can delegate selected activities to other audit subjects".**

In the OP financial control system section, the bodies in charge of system audits and expenditure checks should be clearly identified by reference to Art. 62.1(a) and 62.1(b) of Regulation (EC) No 1083/2006. It is unclear in the current formulation, whether the Audit Authority itself will carry out these regulatory audit activities, which internal audit sections will be involved in them and what their role will be. In order to facilitate the understanding, an introduction to the primary and secondary control systems could be made in the description of the system of financial control with references to the provisions for verifications (Art. 60(b)) and audits (Art. 62.1) of Regulation (EC) No 1083/2006.

***A reliable accounting, monitoring and financial reporting system in computerised form***

The OP should provide more information to demonstrate that reliable accounting, monitoring and financial reporting systems in computerized form will be available in compliance with Art. 58(d) of the general regulation. This system should be described in relation with the information on the Integrated Central Information System provided in the National Strategic Reference Framework section 10.3. The estimated starting date of implementation of the information system and the arrangements for a potential transition period should be indicated. The links between this information system and the IS VIOLA system to be managed by the Certifying Authority (see section 4.4, last but one dash) should be explained.

***The authorised body designated by the MS to give an opinion on the compliance of the system descriptions***

The OP indicates that among other activities, the AA will "*present to the Managing Authority [...] a report evaluating the setting of the OP management and control systems, and its opinion on their compliance with the applicable provisions of EC regulations*". It should be specified whether this task will be delegated to Intermediate Bodies or performed by the Audit Authority itself. It should also be checked whether the report will be

presented to the Managing Authority or to the Commission (in compliance with Art. 71).

### ***The way that the MA intends to implement management checks***

As for the sake of clarity, responsibilities for management checks falling with the MA should be made with reference to Art.60.b) of Regulation (EC) 1083/2006 and Art.13 of Regulation (EC) 1828/2006. The MA should be informed that, further to audit findings of the 2004-06 period, Commission auditors will examine whether MA established plans for on-the-spot checks in the beginning of the new programming period, whether checks put enough emphasis on the areas of eligibility and public procurement rules, and whether audit findings are followed up in a prompt and appropriate way.

### ***Administrative capacity***

As indicated in the initial comments sent by the Commission services, in the 2007-2013 programming period a more intense level of project financing is expected in respect to the TEN's railways and roads projects. To manage this OP the Czech Republic has to deal with the problem of high staff turn-over and the problem of both limited availability of suitable staff as well as the financial constraints on recruiting additional staff. The reply of the Czech authorities to the initial comments is not fully satisfactory. More detailed information is therefore required in the text of the OP on how the Czech authorities are planning to strength the administrative capacity:

- a) of the Managing Authority, with the technical/managerial skills necessary to take up the challenge of a correct drawdown of EU funds all along the 2007/2013 period, both in the required pace and volume of resources and
- b) of the implementing bodies (i.e. RIA, RMD) .

On that respect, it should also be added that the strategic evaluation on Transport in Czech Republic launched by DG REGIO on October 2006, is indicating the following: *"The Czech Republic should strengthen its administrative capacity in preparation for the significant investments and changes that will be needed in road and rail infrastructure. The administrative capacity should be focused on the organisation and coordination of experienced staff in managing large externally financed projects. Based on the previously stated argument a risk assessment has been prepared with respect to the administrative capacity in the Czech Republic. This assessment has been summarized in the following table. Moderate to high levels indicates that additional attention should be paid to this aspect in the implementation of the programme"*.

### **Risk assessment administrative capacity**

Sector	Risk level	Explanation
Overall	moderate	Some pre-accession experience; administrative capacity needs improvements for preparation and organisation of projects

Roads	Low/moderate	state roads low/moderate risk due too pre-accession experience;
Rail	moderate/ high	Limited experience with large scale investments.
Inland waterway	moderate/high	Limited experience with IWT projects
Urban transport	moderate	Depending on size of project. Limited experience with large scale projects

### ***The monitoring system***

The monitoring of this OP should be done by the Integrated Monitoring System which will be put in place under the responsibility of the National Coordination Authority of the NSRF (chapter 11 of the NSRF). Therefore, chapters 4.9.2 and 4.9.3 of the OP, should be adjusted with relevant provisions of the last version of the NSRF, according to which all OP's should use the same single integrated monitoring system. Any contradictory reference included in the OP should be deleted.

### **6.3. State aid**

The following standard clause as required by DG COMP should be added, especially if rolling stock is envisaged to be financed:

*"The Managing Authority ensures that any state aid granted under this programme will comply with the procedural and material state aid rules applicable at the point of time when the public support is granted."*