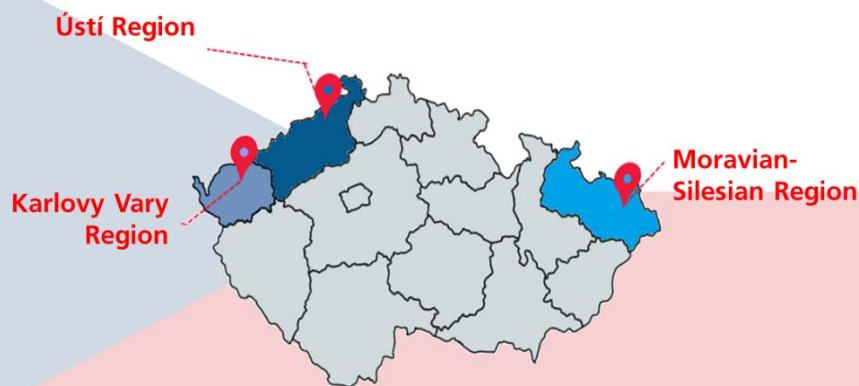


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Support to the preparation of Territorial Just Transition Plan in the Czech Republic



D2. REPORT ON GOVERNANCE MECHANISM AND STAKEHOLDER ENGAGEMENT SUMMARY

06.04.2021

Summary

This **Report** (Deliverable 2) sets out the lines **for the Governance Mechanism and Stakeholder Engagement Strategy** in the frame of the implementation of the Just Transition Plan (JTP) in the Czech Republic.

The report provides an update of the general context and then follows with two chapters on the governance mechanism and stakeholder engagement strategy respectively. Both chapters benefit from analysis of the current landscape, provide an assessment based on best practices and follow with specific proposals and recommendations.

Project Context

To reach its climate targets, the Czech Republic needs to reduce mining, close or replace coal-based power plants, and modernise or close carbon-intensive industries. The transition process to climate neutrality is expected to particularly affect communities with carbon-intensive industries and low-productivity, as well as communities with a high risk of increasing unemployment, poverty and those with high regional disparities, such as those **in the Ústí, Moravian-Silesian and Karlovy Vary regions**. These are the eligible territories in the Czech Republic that will benefit from the measures of the European Commission's Just Transition Mechanism.

Governance mechanism

Pillar 1

The governance mechanism is to a large extent already in place for Pillar 1 of the Just Transition Mechanism (JTM) related to the Just Transition Fund (JTF). This includes the preparation of the TJTP coordinated by MoRD. The Ministry of Environment (MoE) is the Managing Authority for the Operational Programme Just Transition (OPJT) and the State Environmental Fund is the intermediary body. The preparation of the OPJT, which is coordinated by MoE is largely advanced.

Different governance levels (national–regional) are currently represented through one body–the Transformation Platform. Nevertheless, some challenges remain, such as: (1) the lack of inclusion of small players, local actors and small and medium-sized enterprises (SMEs) in the process, (2) the undefined interaction of the national and regional bodies and their distribution of responsibilities, and (3) fears from some stakeholders related to the transparency of the decision process.

Specific recommendations to strengthen the governance mechanism for Pillar 1 in the **short-term** (by mid-2021) are to:

- verify the **adequacy of the representation of all key regional stakeholders** in the Transformation Platform with representatives of the coal regions in March - April 2021,;
- after the finalisation of the first comprehensive proposal of the project evaluation methodology by mid 2021, **carry out its pilot verification on selected types of projects** in all coal regions;
- **structure previous findings** from the collection of ideas and suggestions in coal regions in connection with the completion of the TJTP.
- **incorporate broader aspects of the expected transformation** into the Strategic Environmental Assessment (SEA).

Long-term (from mid-2021 onwards) **recommendations for Pillar 1** include to create a Transformation Story with a strong narrative and to ensure a shared responsibility for the implementation at national and regional level with an interim and final assessment.

Pillars 2 and 3

For Pillars 2 and 3 of the JTM, the situation is less advanced. This applies to the EU and the national level. The Technical Assistance (TA) team¹ compiled and expanded possible governance options for both pillars in this report.

For the long-term, the governance structure of Pillars 2 and 3 of the JTM need to be decided upon. Given the strong positioning of CMZRB² as the first and second tier financial intermediary, its experience with the financial instruments of EU Funds, and counting on the necessary Pillar assessment to become

¹ The Technical Assistance (TA) team is the consultant team implementing this Technical Assistance assignment, led by Frankfurt School of Finance & Management (as part of the AARC Consortium) in cooperation with Trinomics, Czech Technical University and Cambridge Econometrics

² Czech-Moravian Guarantee and Development Bank (in Czech - Českomoravská záruční a rozvojová banka)

the implementing partner of InvestEU, we would recommend **CMZRB as the main actor at the national level in the long-term** for Pillars 2 and 3. This would provide a simpler implementation structure as EIB transfers funds in both pillars.

Specific **recommendations to strengthen the governance mechanism for Pillar 2** in the **short-term** (by mid-2021) are to:

- complete the pillar assessment of CMZRB;
- CMZRB must prepare for the product specifications in the planned InvestEU call;
- specify the agreement on the European Investment Advisory Hub (CMZRB and EIB).

In addition, the **potential readiness of SEF and CMZRB for future active involvement** in the implementation structure of **Pillar 3** can be mapped in the short term.

Long-term recommendations (from mid-2021 onwards) for **Pillar 2** relate to the role of CMZRB, which should prepare the start of the option concerning the direct provision of guarantees from InvestEU. If CMZRB succeeds in the spring call of InvestEU, it will be necessary to prepare the conditions for the activities of a financial intermediary by the end of 2021. Finally, in the second half of 2021, the use of EIB technical assistance in the preparation of Pillar 2 projects should be intensified.

Finally, the conditions for the **involvement of SEF or CMZRB** in the implementation of the governance model of **Pillar 3** should be prepared in 2022, when the advisory needs for the preparation of relevant projects by the public sector should also be identified.

An additional recommended **strategic action relevant for all pillars** includes the **development of a monitoring and evaluation system**, which should monitor the social impacts of the transition and establish an analytically strong interim and ex-post evaluation scheme that focuses on the factors and effects of the transition in the three coal regions.

Stakeholder Engagement

Stakeholder communication and engagement is an important element to enhance the quality and local ownership of the TJTP process, which will significantly facilitate its implementation and sustainability in the future. This report finds that the **stakeholder engagement** process for the Just Transition Agenda in the Czech Republic is at an **advanced stage** and has been embedded in the information flow related to the cohesion policy since early 2019.

Nonetheless, stakeholder interviews conducted by the TA team have identified certain challenges and possibilities for improvement in the communication and engagement process. First, there is a relatively **low level of information about the JTF among broad groups of stakeholders**, particularly related to **Pillars 2 and 3** of the JMT. In addition, there is confusion over existing funding instruments and eligibilities. An **analysis is needed at the regional level on what type of investments fall under various funding programmes**. More focused and tailored information should be made available to **small players** (municipalities, small business, NGOs) and academia. Finally, except for energy efficiency programmes, **there appears to be little capacity at the local level on climate projects** and climate-related investments/development planning.

The **prevailing stakeholder engagement model of the JTM in the Czech Republic is based on the umbrella principle** (membership of institutions with multilevel structures). The predominant **stakeholder engagement format** is participation in meetings and webinars, and **information is most often shared** via email or on websites in the form of presentation slides, video recordings and meeting minutes.

The TA team has assessed the current landscape of stakeholder communication and engagement for the Just Transition Agenda as implemented by MoRD and MoE through the formal **structures of the Transformation Platform (including the MoE working groups) and the Regional Permanent Conferences as permanent consultation bodies**. The TA team found that they fulfil the expectations and needs. They are essential to the Just Transition process in the Czech Republic and must be fully utilised. The TA team's findings suggest that further **identification and inclusion of other important stakeholders** (e.g. representatives of youth organisations, NGOs, academia, innovative SMEs) is needed to ensure a balanced representation of institutions and interests. **Specific recommendations regarding the role of different actors** in various stages of the TJTP process can be found in Sections 3.3.3 and 3.6.

In terms of channels and activities for communication and engagement, the TA team has identified three

models (**collaborative, consultative and informative participation**) that can be applied by MoRD, MoE, and regional authorities. The choice of model depends on the context, scope of activity, and stakeholder profile. These participation models rely on open and transparent modes of communication that use different activities such as workshops, interviews and focus groups, as well as digital methods such as websites accessible to the wider public, social media platforms, local and national media.

Finally, the TA team outlines a comprehensive, two-phase Stakeholder Engagement Roadmap:

1. Preparation of the strategic documents TJTP and OP JT (until March-April 2021)
2. Implementation of the Operational Just Transition Programme (2021-2027)

The stakeholder engagement strategy and roadmap presented in Chapter 3, summarises the type and frequency of communication with stakeholders. The proposed roadmap considers the steps and actions, including the timing of the engagement throughout the planning and implementation cycle, to achieve meaningful consultation and inclusive participation, as well as information dissemination. **There is no simple solution or one-size-fits-all approach to identify an effective engagement method.** Thus, the proposed engagement strategy seek to be dynamic, adaptive and responsive and combines a range of complementary methods.

Please note that the D2 report has been updated after several rounds of comments by multiple stakeholders and contains the latest information as of April 6, 2021. The upcoming Deliverable 5 (Final Report) will reflect any development of key issues happening after the cut-off date of this report.

Disclaimer

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