

Methodology for the application of the DNSH principle at national level in Czechia

Deliverable 7: Piloting

NRB – OP TAC: SO 2.1 – EXPANSION - loans - Call I



Project

REFORM/SC2022/112 - Methodology for the application of the DNSH principle at the national level in Czechia

Presented by

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In association with:



1. Introduction

Context and objective of the pilot

The pilot is intended to support the Czech authorities in implementing national guidelines for evaluating activities/interventions in terms of the DNSH principle across different EU funds and programmes (RRF and Cohesion Policy funds). It is being developed under Deliverable 7 of the TSI project " Methodology for the application of the DNSH principle at the national level in Czechia" (REFORM/SC2022/112).

The aim of the piloting is to support the testing of the guidelines, inter alia in calls for proposals for subsidies under programmes that may have extensive requirements for DNSH, to provide practical advice/consultation on specific activities selected as pilots, with activities/interventions designed in close cooperation with the Czech authorities.

Pilot specifications

EU fund(s):	ERDF – European Regional Development Fund
Program:	OP TAC – Operational Program Technologies and Applications for Competitiveness
Mng. Authority:	MPO – Ministry of Industry and Trade of the Czech Republic
Support provider/ intermediary:	NRB – National Development Bank
Call:	EXPANSION - loans - Call I
Policy objective:	1 - A more competitive and intelligent Europe by supporting innovative and intelligent economic transformation and regional ICT connectivity
Specific objective:	SO 2.1 - Enhancing the sustainable growth and competitiveness of SMEs and job creation in SMEs, including through productive investments
Call objective:	Facilitate SMEs' access to external financing for their business projects for the start-up and/or further development of business and job creation, including through productive investments
Call status:	Call launched - NO, Applications evaluated - NO, Applications selected - NO, Decisions issued - NO
Assessed	
subtype of action:	Expansion of production (services) capacity - construction of a new building
Form of support:	Interest-free investment loan for up to 10 years

2. Methodology

Pilot development procedure

The pilot is prepared in MS Excel in the attached separate file. The first sheet is a structured application of the new guideline to the assessed subtype of action of the selected call. The first few rows provide

the relevant details of the piloted call and assessed subtype of action, including the definition of the supported activities.

Subsequently (from rows 11/12), the individual steps or sub-steps of the guideline for applying the DNSH principle described in Chapter 2 for Cohesion Policy funds are applied in the individual columns from left to right. Within each step, the individual rows first briefly describe the procedure to be followed (13) and the key recommendations of the guidelines associated with the sub-step (14). This is followed by the application of these recommendations of the guidelines to the assessed type of action of the specific call in question, with a summary of the conclusions (15) and a description of how the managing authority has proceeded in the case of the type of action (call) in question (16). On the basis of the comparison of the procedures, it is summarised whether the managing authority's procedure is assessed as sufficient and, where appropriate, recommendations for adjustments to the procedure are proposed (17). The evaluation is complemented by a note on whether there are any information/inputs still missing to finalise the evaluation (18) and which main documents and sources were used in the development of the pilot or its sub-steps (19).

On the second sheet, for clarity, the DNSH EU taxonomy criteria for relevant (supported) activities are listed, in this case for the new building constructions (incl. possible RES installation).

The annexes of the guidelines relevant to the Cohesion Policy Funds are also applied in the development of the pilot. Annexes C, D and E contain templates for the self-assessment checklist, the preliminary and contractual list of documents, respectively. As the assessed subtype of action supports measures with an infrastructure component, Annex A describing the application of climate proofing (CP) of infrastructure under the Cohesion Policy Funds is also relevant.

3. Conclusions / recommendations

Main recommendations and aspects to consider

- The call as a whole (i.e. not the selected assessed sub-type of actions) is defined very broadly, it is not structured according to the sub-type of actions, which may make it significantly more difficult for the MA to assess DNSH, including e.g. to clearly define both specifically targeted and sufficient DNSH criteria/requirements. In order to ensure an efficient selection process for operations meeting DNSH, we recommend that supported activities, or related DNSH criteria and monitoring measures, are divided/grouped into sub-action types by sector, e.g. NACE code or group of NACE codes, or sources of competitiveness, e.g. aimed at improving the circular economy, increasing energy efficiency, building new infrastructure or premises for new economic activities, etc.
- The documentation should be complemented with examples of the operations/solutions that the sub-action is usually intended to support.
- **There should be a clarification of the type and conclusions of the DNSH assessment conducted at the level of the type of action. This DNSH assessment is needed to identify which DNSH criteria are applicable and should be added to the self-assessment checklist.**
- Given the nature of the sub-action under consideration - construction of new buildings - it is required to add an explicit SEA requirement to the checklist/documentation regarding infrastructure-type projects in terms of measures to protect specially protected species and to

exclude projects with significant impact on nature protection interests, and to ensure that noise limits are not exceeded.

- As the sub-type of action under consideration targets infrastructure support, CP is needed. The call documentation does not specifically address the need for CP for the climate change adaptation (CPA) pillar. Therefore, it is recommended to indicate (in the checklist) that, due to the acquisition of infrastructure, CP for the adaptation pillar needs to be carried out at project level if CPA will not be carried out at call level.
- Similarly, it would be useful to add to the checklist/documentation an explicit requirement for permits required for new buildings and information on their condition.
- It is required to consider adding requirements to the individual environmental objectives, the EU taxonomy (and DNSH Commission Notice for RRF) can be used as a reference:
 - In the area of climate change mitigation, explicit exclusion of expenditure on buildings used for extraction, storage, transport or production of fossil fuels.
 - In the area of climate change adaptation, requirement for assessment of significant climate risks and vulnerabilities + adaptation solutions by the PP (see also the CPA requirement above).
 - In the area of water protection, requirement for a water permit if no EIA is implemented.
 - In the area of circular economy, requirement to promote circular economy by using environmentally friendly products (see ISO 20887).
 - In the area of pollution prevention, requirements for building elements and materials used in construction, including carcinogenic substances for materials that may come into contact with users. Requirement for measures to reduce emissions of noise, dust and pollutants during construction work. Ban on REACH materials for appliances materials (e.g., no lead in paint).
 - In the area of biodiversity protection, requirement to carry out an EIA or screening, and to implement any measures resulting from EIA. Restrict projects in terms of protection class of built-up land (BPEJ), e.g. by preventing the construction in red-list IUCN areas or in high-fertility land as listed in the LUCAS database.
- The preliminary evidence list required from project promoters should be supplemented by:
 - Construction permits and EIA summary conclusions, if relevant for the operation,
 - Results of climate proofing for the adaptation pillar (if CPA will not be carried out at call level)
 - Evidence or description of compliance with the EU Taxonomy criteria (see above).
- It is also recommended to consider including among the monitoring requirements (i) any requirements possibly resulting from the summary conclusions of EIA, if it has been carried out, (ii) requirements from CP for the Adaptation Pillar if CPA will not be carried out at the call level, (iii) maintenance of a valid construction permit during project implementation, (iv) the final approval of the relevant construction authority according to the Construction Law and in accordance with the construction permit after completion of the construction, (v) required by SEA, (vi) ensuring compliance with the DNSH criteria according to the EU Taxonomy. Overall, any requirement listed in the call for projects should also be integrated into monitoring. While NDB may not monitor all criteria, it should make it clear in contractual conditions that all requirements must be implemented throughout the project's sustainability period. More complex and risky projects may need to monitor several requirements, and simpler projects may only need to monitor one or two requirements.

- Consideration could also be given to whether to use the form of the self-assessment checklist for the presentation of the DNSH eligibility criteria in the call, taking inspiration from the template in Annex C of the Guidelines, and/or whether to use the form (closer) to the template in Annex D of the Guidelines for the preliminary list of documents.
- Finally, it is recommended that the agreement on the establishment and management of the loan fund between MPO and NRB be complemented by a provision that NRB will ensure the application of the DNSH throughout the life cycle of the financial instruments. This governance aspect may indeed be audited by the European Commission to ensure that basic measures have been taken to apply the DNSH principle.



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