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Operational Programme Prague Adaptability

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EXECUTIVE SUMMARY

This document summarizes the Commission's comments to the Operational Programme Prague Adaptability submitted officially by the Czech authorities on the 15 March 2007.

Given that the NSRF Commission's NSRF comments are not finalised yet and the negotiations are only upcoming, further comments to this OP may be made stemming from NSRF negotiations and amendments. In addition, during the negotiation process on the OP and the official adoption phase, some additional comments may also be raised.

For better readability and understanding of the comments, the paper is organised around the structure of the OP; it also summarizes the main points of the OP, assesses the regulatory requirements and provides for comments (in *italics*) to be reflected in the next version of the OP.

Summary assessment of the OP

The programme intends to tackle important development challenges of the Prague NUTS II region in the area of employment, human resources development and education.

In general, the scope of the OP is very wide, given the budget available. The activities proposed may not receive adequate funding; therefore further thematic concentration is needed.

The most serious Commission's concern related to the architecture of the ESF interventions in the Czech Republic has not been sufficiently tackled on the NSRF level and on the level of the three ESF programmes proposed. The structure proposed does not guarantee a risk-free environment in terms of overlaps. Since this policy and overall architecture problem goes beyond the scope of this single OPPA, this paper limits itself only to the technical comments linked to this issue and the comments that are to be discussed on the NSRF + ESF OP level are attached in the Annex.

Moreover, the level of ambiguity of links between the OP and the multi-objective ESF programmes, namely lack of synergies and demarcation makes it impossible to provide for full assessment of the OP's priority axes.

Furthermore, the issues that need significant re-thinking are connected to the structure of indicators that are impossible to assess as they do not provide substantial links to the content of the relevant priority axis.

1. PURPOSE AND BACKGROUND

1.1. Purpose and scope of Operational Programme

According to the NSRF, the OP follows implementation of the NSRF priority *Open, Flexible and Cohesive society* and the priority *Balanced Development of Territory*.

The global objective of the OPPA is to increase competitiveness of Prague by strengthening adaptability and effectiveness of human resources and increased access to employment for all.

The OP covers Regional Competitiveness and Employment (RCE) objective – region NUTS II Prague.

The OP contains 4 priority axes (numbers in brackets show the share in % of each priority axis on programme allocation): 1) Promote Development of the Knowledge Economy (38.2%), 2) Promote Entry onto the Labour Market (29.2%), 3) Modernize Initial Education (29.2%), 4) Technical Assistance (3.5%).

Priorities and Community contribution

Priority axis number	Priority axis name	Fund/cofinancing	Community funding (€)
1	Promote development of knowledge economy	ESF/public	41 420 073
2	Promote entry to labour market	ESF/ public	31 610 056
3	Modernize initial education	ESF/ public	31 610 056
4	Technical assistance	ESF/ public	3 745 057
Total			108 385 242

→ *An executive summary of the OP may be added.*

1.2. Preparation process and timetable

Two informal versions of the OP (July and November 2006) have been provided to the Commission. The OP was approved by the Czech Government in November 2006. The informal discussions took place primarily on the NSRF level and were regarding only the issue of complementarity between the Convergence and RCE objectives and the scope of national ESF interventions. The official version of the OP was submitted via the SFC2007 on 7 March 2007, subsequently it was returned the Commission because of missing information on complementarity with EFF and EAFRD. Corrected OP was submitted via SFC2007 on 15 March 2007 – this paper is based on this version.

1.3. Partnership in preparation of the programme

According to the Art. 11 of the General Regulation, the OP was prepared based on the partnership principle. The Prague municipality as the main authority responsible established in March 2006 a working group that was guiding the drafting of the programme. The working group consisted of future implementing partners, relevant ministries, professional organisations, trade unions, universities, NGOs, and others. During the course of drafting, the draft OP was available for comments by wide public on the internet.

The consultation process is described in the chapter 7 of the programme. The respect for the partnership principle is also declared in the composition of the Monitoring Committee of the programme in section 6.2.3.

➔ *The OP should also clarify whether the environmental partners have also been included in the process (Art. 11(1), 1083/2006).*

2. ANALYSIS OF THE SOCIO-ECONOMIC SITUATION

➔ *General remark: the analysis should be brought up-to-date. In many cases the most recent data presented are from the year 2004. Especially given the fast growth of the Czech economy and changing labour market characteristics, it is important to base the analysis on most recent data available, i.e. at least 2005 figures should be used in cases where 2006 data are not yet available.*

➔ *The heading of the chapter 2 should be changed to reflect the nature of the chapter: in stead of "characteristics of the region" a more correct reference to a "socio-economic analysis" is needed.*

2.1. Socio-economic analysis

The OP provides for analysis split into six sections that provide some key characteristics and trends:

i. Demographic developments

- Positive population growth in recent years, based on birth rate and migration (Prague has 1,170,571 inhabitants).
- Minimum territorial concentration of national minorities.
- Ageing population.
- Migration of families with children to regions outside of Prague.
- Strong migration potential of the region.
- Lack of effectiveness of the system of social and medical health services.

ii. Economic performance

- High economic performance of the region (the GDP in Prague per capita has reached 202% of the CR average and 143% of the EU25 average).
- High labour productivity.
- Concentration of central bodies of the public and private sectors in Prague.

iii. Situation on the labour market

- Prague represents 15% (including commuters) of the employment in the CR.
- The unemployment rate is 3,2%; the number of long-term unemployed people, especially among females, has increased.
- High degree of economic activity of residents, including female, in comparison with the EU-15.
- High share of highly qualified people in the labour force, increase in the number of scientists and professionals in recent years.
- Rise in number of people working at their own account.

- More expensive labour force as compared to other regions of the Czech Republic - higher average wages.
- Low rate of utilization of part-time contracts (6% compared to 16,6% in the EU-15).
- Trend towards extending the average length of unemployment.
- Lack of job opportunities for the disabled.
- Above-average share of foreigners in the Prague labour market.

→ *The rate for part-time contracts at the summary table at the end of the chapter should be corrected.*

iv. Risk groups and equal opportunities

- Heterogeneous structure of NGOs by field of activity and high dependence of NGOs on grants from public funds; insufficient managerial and financial knowledge of NGO workers.
- Minimum presence of social economy entities in the region.
- Low awareness of equal opportunities, higher unemployment of women and lower remuneration of women.
- Low social care standards in practice.
- Low degree of economic activity among the disabled.
- Lack of timely and coordinated social assistance for children and young people at risk of social exclusion.
- Increasing need for residential social and health care for seniors.
- Lasting barriers to the official participation of immigrants on the labour market.
- Insufficient capacities of social assistance for people without shelter.
- Prague's population is relatively socially cohesive.

v. Life-long learning

- Above-average education of Prague's population compared to that in the rest of the Czech Republic, lower compared to the EU-15 capitals.
- Need to adapt the structure of the education due to demographic changes.
- Increase in the number of students at secondary specialised schools, grammar schools and in higher education.
- Decline in elementary school pupils.
- Insufficient integration of pupils and students with special educational needs, in particular due to a lack of specially qualified teaching staff.
- Below-average offer of Bachelor's Degree.
- High dependency of universities on public financing.
- Potential for using the school infrastructure in Prague to develop further (non-formal) education.
- Absence of a concept for further education, little motivation for people and employers for further education.
- Demand for tertiary education is not sufficiently satisfied.

vi. Business environment

- Almost 20% of all economic operators in the Czech Republic are seated in Prague.
- 80% of Prague's economy is constituted by services.
- Tourism and trade are distinctly dynamic.

- Strong share of small and medium enterprises in the economy; the SMEs tend to spend rather on their operations as opposed to training and innovation.
- High concentration of research and development institutions.
- Lack of co-operation between research institutions, institutions of higher education and businesses.

→ *The text in 2.7.3 mentions that the Czech Republic plans to achieve the 3 % target of R&D expenditure by 2010. However, the Czech Government has only committed itself to the 1 % target of public R&D investment by 2010.*

2.2. SWOT analysis

In general, the SWOT analysis summarizes the main driving forces and tendencies and is adequately linked to the analytical chapter.

2.3. Experience from previous programming period

The main issues in the 2004-6 period are defined as follows:

- OPPA builds on the experience in implementing SPD 3.
- OPPA simplifies the 2004-6 implementation and monitoring structure, the managing authority will have no intermediate bodies.
- Active employment policy measures that proved to be ineffective in Prague are not included in OPPA.
- Initial education, which proved to be the best performing measure in SPD 3, is a separate priority axis in the OPPA.
- Experience of the Prague municipality with administering more than one half of the SPD 3 allocation.
- Given the reduction in the OPPA allocation compared to SPD 3, a sufficient absorption capacity for the region is guaranteed.

→ *Given that mainstreaming of EQUAL is an important element for the 2007-2013 period, the experience with its implementation 2004-6 could be added.*

3. STRATEGY

3.1. Horizontal themes

Two horizontal themes identified that are reflected in the priority axes of the OP are:

- Equal opportunities.
- Sustainable development.

3.2. Objectives of the OP

The global objective of the OP is to **"increase competitiveness of Prague by strengthening adaptability and performance of human resources and improving access to employment for all."**

Three specific objectives are defined:

- i. Increasing professional mobility and adaptability of employees and employer leading to increase of quality and productivity of work.
- ii. Improving access to employment for disadvantaged persons and increasing their participation on the labour market.
- iii. Increasing quality of education and vocational training of people reflecting the labour market needs.

It is welcome that that each OP's **specific objective corresponds to one OP priority axis**.

3.3. Consistency with the Community Strategic Guidelines (CSG)

The section 3.3.1 describes in detail the linkages to the CSG. Most direct links are established with the third guideline "More and better jobs". Some links are identified with the second guideline "Improving knowledge and innovation for growth".

3.4. Consistency with the National Strategic Reference Framework

➔ *According to the NSRF the OP contributes to the implementation of the NSRF priorities Open, Flexible and Cohesive Society and Balanced Territorial Development. Whereas the section 3.3.2 includes also contribution to the NSRF priority Competitive Czech Economy. This inconsistency should be corrected.*

3.5. Consistency with other operational programmes

The most important links are related to the two national ESF multi-objective programmes: OP Human Resources and Employment and OP Education for Competitiveness. The architecture of the synergies and demarcation must provide for **risk-free environment in terms of overlaps** (see comments in the Annex).

OPPA priority axis	Relates to priority axis
1. Support to development of knowledge economy	- OPHRE: Adaptability - OPHRE: Public administration
2. Support to the entry to the labour market	- OPHRE : Active labour market policies - OPHRE: Social Integration and equal opportunities
3. Modernisation of initial education	- OPEC: Initial education - OPEC: Tertiary education and research and development

➔ **Axis 1. Support to development of knowledge economy:** *The adaptability theme is tackled by the OPHRE only in the Convergence regions and by the OPPA only in the RCE region. From this point of view, only more information on synergies should be added. Such information should provide enough detail in order to ensure clear policy and implementation synergies.*

➔ **Axis 1. Support to development of knowledge economy:** *Given the necessity of a coherent approach and strong coordination for implementing the institutional capacity priority, it is vital to concentrate all the interventions and their implementation under one authority and one framework. It is a very positive development that all the activities*

should be implemented by one authority – Ministry of Interior. Still, given the legislative requirements, it is necessary to split the ESF and the ERDF part into two programmes. Hence, **any further fragmentation shall be avoided**. Therefore, the OP Adaptability should not contain measures for institutional capacity.

→ **Axis 2. Support to the entry to the labour market** priority axis vis-à-vis OPHRE priority axis **Active labour market policies**: Since the relevant OPHRE priority axis finances also RCE objective, the two OPs must be absolutely clear to avoid overlap (see also comments in the Annex). Concrete information on this link/demarcation, from policy and implementation view, is missing in the OP.

→ **Axis 2. Support to the entry to the labour market** priority axis vis-à-vis OPHRE priority axis **Social Integration and equal opportunities**: The theme is tackled by the OPHRE only in the Convergence regions and by the OPPA only in the RCE region. From this point of view, only more information on synergies should be added. Such information should provide enough detail in order to ensure clear policy and implementation synergies.

→ **Axis 3. Modernisation of initial education** priority axis vis-à-vis the two OPEC priority axes: Since the relevant OPEC priority axes finance also RCE objective, the two OPs must be absolutely clear to avoid overlap (see also comments in the Annex). Concrete information on this link/demarcation, from policy and implementation view, is missing in the OP.

→ The activities of the OPPA also suggest that interventions in the area of further education are financed. It needs to be clearly stated what is the OPPA link to the **Further education** priority axis of the OPEC.

→ On number of places the concept of “**mirror projects**” is referred to. Mirror projects may be justified in cases when a relevant Converge priority axis of a national multi-objective OP does not have RCE objective funds available to co-finance this Convergence priority axis. Otherwise, it would seem logical to move the RCE funding envisaged for mirror projects from OPPA directly to the relevant priority axis of the multi-objective national OP.

→ In order to ensure maximum **synergies between ERDF and ESF** interventions the OP should develop a section including a list of ESF interventions that need to be supported from the ERDF. The same approach would be used by the ERDF programmes (see also comment on the cross-financing).

3.6. Coordination with EAFRD and EFF and other funds

The OP provides for sufficient explanation of its relation to the EAFRD and EFF.

→ **Complementarity with 7th Framework Programme** is not addressed at all. This is despite the potential for synergies in the field of human resources for RTD (specific programme People and Marie Curie actions).

3.7. Consistency with the National Reform Programme

The section 3.3.3. includes table showing the consistency of the OP with the NRP. The links are sufficiently described.

3.8. Consistency with the National Action Plan for Social Inclusion

The section 3.3.4. includes table showing the consistency of the OP with the National Action Plan of Social Inclusion. The links are sufficiently described.

➔ *The text, however, refers to the old NASPI 2004-6 and should be updated.*

The objectives of the NAPSI 2006-2008 are:

- strengthening the integration of socially excluded persons or persons at risk of social exclusion, eliminating barriers to entry and retention on the labour market for such persons;
- to strengthen the cohesion of the family and awareness of its importance; strengthen awareness of intergenerational solidarity and the rights of the child;
- to support for decision-making processes at the local and regional level and the development of partnership in social inclusion policy.

3.9. Linkage to other strategies and policies

The links to other national strategies are also provided: National programme of development of education in the CR, Long-term plan for education, and research, development, artistic and other creative activities, National policy of research and development of CR for 2004-2008.

4. PRIORITY AXES

- The categorisation codes (annex II of 1828/2006) are included in chapter 6.3.
- Each priority axis contains the indicative list of activities.

➔ *The OP should outline to which priority of the 1081/2006 regulation each of the OP's priority axis contributes. Preferably, one OP priority axis contributes to one regulation priority.*

4.1. Priority axis Support to development of knowledge economy

Specific objective: Increasing professional mobility and adaptability of employees and employer leading to increase of quality and productivity of work.

This priority axis will support development of further education (namely in companies), cooperation of businesses and R&D institutions, consultancy in developing business environment (support to SMEs), innovation in work organisation.

➔ *The core theme of the priority axis seems to be the **adaptability**, with specific focus on modern technologies and management methods. By definition, the adaptability beneficiaries are employees, employers and enterprises. Therefore, it is not clear why schools, students, NGOs and public administration are included among beneficiaries/target groups. This comment needs to be also considered from the point of*

available financial allocation – given the funds available, the priority axis should provide for more concentration.

The activity "Support for cooperation between businesses and R&D institutions" seems to ill-fit to this adaptability-focused priority axis. It is also difficult to assess because its linkages to OPEC are not defined. In any case this activity would require the public research institutions and/or universities as beneficiaries. Note that development of human capital in R&D is not an adaptability activity but it falls under "expanding and improving investments in human capital" (Art. 3(2)m 1081/2006).

➔ *The **allocation** represents 38 % of the total financial allocation of the OP while activities directly linked to development of HR for R&D (intervention code 74) equals to approx. 11,8 m € and represents 10 % of the total. This seems not appropriate given the size of problems faced by the research and innovation system in the Czech Republic (including Prague) and the overwhelming concentration of Czech R&D capacities in Prague (described in the OP on p. 34).*

➔ *It needs to be reiterated that the ESF supports "development of human potential in research and innovation" (Art. 2(a)(iii) of 1081/2006, not research and innovation as such. Therefore the supported activities should include more general measures for **development of human resources** in public and private research organisations, as well as, e.g., measures addressing the problem brain drain.*

➔ *Some formulations need to be also revised in the priority axis text in order to comply with the **ESF eligibility**. Activities like: support to SME, support to development and innovation of products in the service sector are not eligible from ESF.*

➔ ***Flexibility facility**: given the budget available for the flexibility facility (€ 4,87 mil. including cofinancing), the activities are disproportionate. Also, only activities with direct link to the ESF may be covered under the flexibility facility, i.e. not investment in reconstruction works for companies for their entrepreneurial activities. How will the regulatory conditions be monitored?*

4.2. Priority axis Support to entry to the labour market

Specific objective: improving access to employment for disadvantaged persons and increasing their participation on the labour market.

The priority axis will support disadvantaged persons with the view of their integration to the labour market, the organisations supporting disadvantaged persons, cooperation with employers in the field of integration of disadvantaged groups, support to social economy, small grants to NGOs.

➔ *The activity "small grants to NGOs" should rather fall under "development of organisations supporting integration of disadvantaged groups" activity. Grants are a means, not a self-standing activity.*

➔ *The beneficiary "public administration" does not seem to fit to this priority axis.*

➔ *The description of the link to the OPHRE and the structure of this OPPA priority axis confuses the situation with **overlaps and demarcation** even further. On one hand the text*

says that OPHRE priority axis 2 contributes to the attainment of this OPPA priority axis (!) and on the other hand, this OPPA priority axis finances "mirror" projects in development of social services to the OPHRE.

→ Flexibility facility: *given the budget available for the flexibility facility (€ 3,7 mil. including cofinancing), the activities are disproportionate. How will the regulatory conditions be monitored?*

4.3. Priority axis Modernisation of initial education

Specific objective: increasing quality of education and vocational training of people reflecting the labour market needs.

The priority axis will support improving quality of secondary and higher vocational education, further education of teachers and other education institutions' staff, development and quality improvement of study programmes at universities, support to students with special education needs.

→ The demarcation and the synergies between this OPPA priority axis and OPEC is incomprehensible, partly due to impossibility to distinguish the multi-objective interventions from Convergence interventions on the side on OPEC, partly due to mixing all education-related interventions in this OPPA priority axis. Moreover, the OPPA activity "development and quality improvement of study programmes at universities" is clearly area of OPEC national interventions.

→ The notion of "initial education" should be explained. It seems that different interpretation is used in OPPA and OPEC.

→ Flexibility facility: *given the budget available for the flexibility facility (€ 3,7 mil. including cofinancing), the activities are disproportionate. How will the regulatory conditions be monitored?*

4.4. Priority axis Technical assistance

The objective of this priority axis is to ensure effective management and implementation of the OP.

This priority axis finances the support to the preparation, selection, contracting, administration capacity, control, audit, monitoring (including Monitoring Committee), evaluation and publicity of the OP, the absorption capacity and the IT system.

No flexibility facility is included.

4.5. Flexibility facility (cross-financing)

Apart from remarks to the design of the flexibility facility in the context of individual priority axes, please find the following comment related to the use of the facility in general:

→ *Special attention should be paid to avoid supporting the same categories of interventions that are already supported from the ERDF programmes. Some demarcation criteria should be used (in this OP and the relevant ERDF OPs).*

5. INDICATORS

The Art. 37(1)c of 1083/2006 says: "...[targets of the priority axes] shall be quantified using a limited number of indicators for output and results, taking into account the proportionality principle. 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 axes".

The Art. 4(4) of 1081/2006 says "the indicators included in the operational programmes co-financed by the ESF shall be strategic in nature and limited in number and shall reflect those used in the implementation of the European Employment Strategy and in the context of the relevant Community objectives in the fields of social inclusion and education and training".

The chapter on indicators needs to be substantially revised based on the following comments (at this moment it is not possible to provide more substantial comments on the indicators as they need to be revised at whole):

→ *The indicators "number of supported projects", "number of supported organisations", "number of new/innovative products" have **little value added** and are not relevant to measure the progress and achievements of the OP and its priority axes.*

→ *The result indicators on the OPPA level needs to **reflect the global objective** of the OP (which covers adaptability and performance of human resources; and improve access to employment for all). The indicators should represent the **most important strategic aspects** of the OP. In the same way, the priority axis indicators should represent the most important strategic aspects of a particular priority axis.*

→ *The proposed indicators are "statistics-oriented" rather than "strategy-oriented". For example, the indicators of research and innovation do not appear anywhere. A wide spectrum of options exists here, such as number of spin-offs created, number of technology transfer agreements between public R&D institutions and business sector, number of new research jobs (in private and public sector), etc.*

→ *OP level indicators: Information **by when** the indicators should be achieved should be clearly spelled out in each table (by end 2015?).*

→ *The **base line** for indicators is missing.*

→ ***Quantification of the OP objectives** must be presented using the indicators. The section on "quantification of the OP objectives" should therefore be merged with section "definition of indicators".*

→ *OP level indicators should also reflect the **horizontal themes**.*

→ *Indicators must be included for the **technical assistance** priority axis as for any other priority axis.*

6. OTHER REGULATORY REQUIREMENTS

6.1. Ex-ante evaluation

The OP includes a summary description of the main findings of the **ex-ante evaluation** (Art. 46, 1083/2006) on the planned impacts of the OP strategic and specific objectives and priorities, including for impacts that may be difficult to quantify.

➔ *The chapter describes the findings that were taken into account during preparation of the programme. Were there any ex-ante evaluators' remarks that were not taken into account and why?*

6.2. Promotion of gender equality and equal opportunities

Art. 6 of 1081/2006 requires description of how gender equality and equal opportunities are promoted in the preparation, implementation, monitoring and evaluation of the OP. The section 3.4.2 and other references in the OP sufficiently react to this requirement.

6.3. Prevention of discrimination and ensuring access to funds

The OP defines – according to the Art. 16 of 1083 – that accessibility for disabled persons will be taken into account during defining operations and the various stages of implementation (section 3.4.2).

The OP (according to Art. 5 (4), 1081/2006) also refers to encouraging adequate participation and access by non-governmental organisations to the funded activities: the NGOs are one of the target groups of the OP.

6.4. Promotion of sustainable development

The promotion of sustainable development (Art. 17, 1083/2006) is sufficiently dealt with in the section 3.4.1 of the OP.

6.5. Good governance and partnership

According to the Art. 5(1) of 1081/2006, good governance and partnership shall be promoted by ESF.

➔ *Whereas partnership is addressed by the OP, the reference to **good governance** is missing.*

6.6. Innovation

According to the Art. 7 of 1081/2006, each ESF OP shall promote and mainstream innovative actions. According to the chapter 3.5 this principle will be implemented in the priority axes 1, 2 and 3.

6.7. Thematic, geographical and financial concentration

According to the Art. 37(3) of 1083/2006 and Art. 4 of 1081/2006, each OP covering RCE objective should provide for thematic geographical and financial concentration.

→ *It is proposed that the OP includes a separate section on thematic and financial concentration, particularly with a view of **limited financial resources** of the OP.*

6.8. State Aids

The Commission would like to recall the importance of the responsibilities of the national Managing Authorities under the new Structural Funds legislation which include an obligation to ensure that any State aid under the Structural Funds programmes is lawful, i.e. that it complies with the procedural and material State aid rules applicable at the point of time when the public support is granted.

→ *Therefore, please replace the paragraphs in title 4.6 "Information on State Aid" by the following clause: "The Managing Authority ensures that any State aid granted under this Operational programme will comply with the procedural and material State aid rules applicable at the point of time when the public support is granted".*

7. FINANCIAL TABLES

The structure of the financial tables presented is in accordance with the models in Annex XVI of the 1828/2006 regulation. The amounts are consistent with the NSRF and SFC2007 database.

The allocation to Technical Assistance priority axis respects the ceiling of 4% as required by Art. 46(1) of 1083/2006.

8. KEY ASPECTS OF IMPLEMENTATION

8.1. Management

The authorities defined in Art. 59, 1083/2006 (managing authority, certifying authority, audit authority) are identified.

→ *The national NSRF coordination body should be added to the management system, since it is responsible for crucial parts of the system (methodology for eligible expenditure, computerised management system, etc.). Also, description of relations between the managing authority and the NSRF coordination body should be added. Since the definition of the eligibility rules is in general within the responsibility of the Member State, a clear reference how and by whom the eligibility rules will be set and monitored should added.*

8.2. Monitoring

The monitoring function according to the Art. 63-67, 1083/2006 s described in the chapter 6.2. It identifies responsibilities related to the annual and final implementation reports and indicates the membership and proceedings of the monitoring committee.

8.3. Audit and control

Audit and control function provides for adequate separation of functions and are sufficiently described.

→ *In the section 5.5.5 the following sentence should be added: "The European Anti-Fraud Office performs on the spot controls within the scope of the protection of the financial interests of the European Union to fight fraud, corruption and any other illegal activities".*

→ *Section 5.5.6 "Irregularities", the last sentence is not clear enough. Furthermore, it is proposed to identify also the competent authority responsible for reporting the cases of irregularities to the Commission or to align the text with the equivalent text provided in the OP Human Resources and Employment.*

→ *In section 5.5.2 "Internal Audit" in last paragraph is mentioned that "the internal audit reports at the level of **intermediary bodies** will be submitted to the internal audit department at the level of the managing authority." In other part of the OP it is stated that there are no intermediate bodies.*

→ *The OP states that the Central Harmonisation Unit has been designated as the Audit Authority. If it is the case that some tasks (system audits and expenditure checks) will be delegated to another department (e.g. Internal Audit); this should be specified. It is not clear where the Internal Audit Department is located and whether the Audit Authority will have access to the audit work executed.*

8.4. Information systems

The chapters 5.2.2 and 5.8 does not describe sufficiently the system and procedures (Art. 37(1)(g)(vi)) used for management of the OP and for electronic data exchange with the Commission.

→ *OP should include the procedures being implemented to provide for **reliable accounting, monitoring and financial reporting systems** in computerised form (Art. 58 (d), 1083/2006) including security and reliability of the electronic data exchanges. In addition, the respective roles of monitoring system and IS VIOLA should be presented and the link with the Integrated Central Information System described in section 10.3 of the NSRF should be explained. If a new system is planned, the starting date of implementation and the arrangements for the transition period should also be given, as mentioned in the NSRF.*

→ *What are the basic characteristics of the system? Who is responsible for its running, maintenance, development and data transfers? Who is responsible for the data integrity and reliability? How is the audit trail ensured? (Note that NSRF provides a detailed description of the system).*

8.5. Financial circuits

The OP chapter 5.4 includes the procedures for the mobilisation and circulation of financial flows in order to ensure their transparency (Art. 37 (1)(g)(iv), 1083/2006). The funds to beneficiaries will be provided by the Prague budget which will then be partially reimbursed by the Community funding. The chapter also identifies the bodies responsible receiving the payments from the Commission and making payments to the beneficiaries (Art. 37 (1)(g)iii, 1083/2006).

→ Section 5.4. refers to the "**financial department**" of the City of Prague. The text should describe if this unit is involved in the implementation of the OP, the relations with other authorities (particularly the Managing Authority) and to whom the unit reports.

→ Please clarify whether the paying and certification authority transfers ESF funds directly to Prague budget and what is the role of the Ministry for Regional Development in this financial flow.

→ The OP will be cofinanced **10% by the state budget** and 5% by the Prague budget – please describe the relevant financial flows.

8.6. Evaluation

→ The section 5.3.2 mentions that on-going evaluations **may** be carried out. However, according to the Art. 48(3) of 1083/2006, they **must** be carried out.

8.7. Communication and information

The publicity requirements are governed by the Art. 69 of 1083/2006 and by 1828/2006. The chapter 5.7 of the programme describes the main regulatory principles related to publicity.

→ Given that the ESF is spread over 3 operational programmes, it is necessary to establish common publicity lines. The OP should establish that **common ESF publicity strategy** will be pursued, including using identical logo and visual identity by all three ESF programmes.

ANNEX - ARCHITECTURE OF ESF INTERVENTIONS

The Commission welcomes and acknowledges the recent developments on the Czech side, namely the increase of the ESF funding from the Regional Competitiveness and Employment (RCE) objective allocated to the activities of national character. Nevertheless, the whole architecture still has not been satisfactorily brought to the final solution during the informal negotiations and **remains a serious concern** of the Commission. The structure proposed remains doubtful in terms of policy logic and administrative structure. The Commission will insist on **unconditional assurances in the structure of the programmes and its implementing structures** that would exclude possible double-funding (overlaps) and potential use of the ESF Convergence funds for the benefit of the RCE objective (and vice-versa).

In order to move forward, it is necessary to discuss this issue on the NSRF level together with the acknowledgement of the details provided in the ESF operational programmes. The reason is that the discussions on the OP level are likely to have an impact on the NSRF content and financial tables. Therefore, the following comments are based on the knowledge of both the NSRF as well as the ESF OPs.

In order to proceed, the Commission insists on respecting of the following minimum conditions:

I. The structure of the ESF programmes proposed must ensure that there is no possibility that the Convergence funds are used for the benefit of the RCE objective and vice-versa.

- (a) Therefore, **each OP priority axis should be clearly targeting only one objective**. It is not possible that a priority axis describes an intervention that is by definition of national nature without co-financing from the other objective via different priority axis.

This principle is respected in general with reservations below.

- (b) The **pro-rata calculations** must be fair, logical and transparent.

This principle is impossible to assess in the OP Education for Competitiveness (OPEC) as no calculation or explanation is provided in the body of the OP. It needs to be explained in detail how the respective share was reached and why the particular calculation was chosen. In this sense it will be necessary to distinguish, inside the priorities, between the activities (or areas of support) that will be cofinanced from both objectives and the activities financed from Convergence only. In this way it would be possible also to judge the adequacy of the budget allocated.

This principle is difficult to assess in the OP Human Resources and Employment (OPHRE). Little information is provided on the calculation process and no information is given why particular way of calculation was chosen as the most suitable.

II. Policy focus: In general, there should be sufficient funds in the multi-objective OPs to finance all the national interventions planned. National interventions must receive adequate financing since those have the most significant impact on successful implementation of the ESF-related policies. For illustration, see the following calculation of the global share:

- (a) In practical terms, the OPEC allocates app. ESF 16,87 mil.€ from RCE to system activities. Assuming that the pro-rata is e.g. 90/10 (speculation, since no methodology was provided), it makes 16,87+151,83=168,7mil.€ total budget available for ESF national interventions; this amount represents less than 10% of the programme. I.e. it is suggested that 90% of the OP would target exclusively Convergence-related actions and only 10% of the OP would be devoted to national actions. This percentage does not seem to match with the focus of the OP and the description of its objectives and priorities.
- (b) In the OPHRE the same estimated ratio is 18% of the OP dedicated for national multi-objective interventions and 82% for Convergence dedicated interventions. In this context, it will be discussed how the *adaptability* priority axis of the OP will be implemented (Convergence only?) and whether the allocation from RCE for the *active labour market policies* priority axis is sufficient.

III. Implementation coherence principle:

- (a) Areas which are covered by the national ESF OPs in both the Convergence and RCE objective should not be covered again by OP Prague Adaptability (RCE objective). In other words, an area of policy intervention which is financed in the RCE by the national OPs should not be financed in the RCE by the Prague OP to avoid overlap and inconsistencies. This principle should be **explicitly acknowledged in the NSRF and in the relevant OPs**. From the information provided it seems that this principle is respected between OPPA and OPHRE (potentially with the exception of the smart administration). In the case of OPPA vis-à-vis the OPEC, it is impossible to judge because the activities within the OPEC priority axes are not split to identify pure Convergence interventions and multi-objective intervention.
- (b) To ensure coherent policy implementation on the institutional level, the ESF interventions to be implemented by the regions should be implemented by regions throughout the CR regardless to under which OP they fall. For instance, the activities included in the national ESF programmes that are delegated to the regional authorities in Convergence should be also implemented by the Prague regional authorities in RCE region (if they are financed at all). In other words, it should not be the case that a ministry directly implements some interventions in Convergence and the same type of interventions in the RCE objective are implemented by somebody else (e.g. by the Prague regional authority).
- (c) It is indeed possible and desirable that the OP Prague Adaptability finances interventions that the national ESF OPs do not deal with (i.e. specific problems of the Prague NUTS II region).
- (d) Given the above, it is not clear **why the state budget commits to finance 10% of the programme** and the Prague region (having GDP per capita over 150% of the EU average) only 5%. This arrangement complicates even further the ESF implementation structure and lacks policy logic. Why the measures that are proposed to be co-financed from the state budget are not in the national programmes?