Annex 9

Report on ex-ante evaluation of the Integrated Regional Operational Programme for the programming period 2014–2020

Version 1.2 of 29. 10. 2018

Executive Summary

The final report is the last performance of the contract for the ex-ante evaluation of the upcoming Integrated Regional Operational Programme (IROP), which was commissioned by the Managing Authority of the Ministry of Regional Development (the MoRD, MA or Contracting Authority). The evaluation was carried out over a program document version of 2 May 2014, including its official and unofficial attachments, and using evaluation headings that were defined as part of the procurement process – these headings cover the desired area of interest, as specified in the text of Article 55 of the General Regulation (approved on 17 December 2013)[1].

In the ex-ante evaluation, Deloitte Advisory (”Deloitte” or “Evaluator”) sought to identify problem areas or outstanding issues, followed by Evaluator’s recommendations in the form of concrete measures to improve the IROP programming in the relevant area. The evaluation was conducted simultaneously with the preparation of the Programming Document of IROP, reflecting its development and aiming to contribute to its further improvement by means of its findings. The Evaluator conducted the evaluation to enhance the quality of the planned operational programme through an open and informative communication with representatives of the managing authority over gradually submitted versions of the programming document and its annexes in the period October 2013 – May 2014. The main attention was paid to verifying whether the intervention logic and strategic objectives of the programme are set correctly, verifying the direction of creating and setting the indicator system, the proposal for the provision for administrative capacity and process setting of the implementation system. Finally, it also focused on issues associated with the proposal of distributing the allocated funds with regard to the relevant problems and needs of the Czech Republic, or the well-known conclusions of absorption capacity analyses.

Each area of evaluation summarizes the main conclusions of the evaluator’s assessment and proposals of measures in the form of specific recommendations proposed by the Evaluator for implementation. These recommendations primarily reflect legislative requirements and the methodology adopted for the preparation of the European Structural and Investment Funds in 2014–2020[2] (“ESIF” or “ESI funds”), or they reflect good practice and recommendations drawn from experience with the implementation of support in the current period 2007–2013, both in the Czech Republic and in other EU countries.

The evaluation can be concluded with a very positively appreciation of the active attitude of the managing authority to dealing with the whole preparation of the programming document, which is demonstrated by a flexible communication with the representatives of the evaluator and prompt presentation of documents, demonstrable active communication with the other managing authorities, representatives of the National Coordination Authority (the ”NCA”), continued negotiations with regional partners and ultimately informal dialogue with the representatives of the European Commission. This activity is visible in the level of preparedness of the programming document, which, although containing areas that require further justification, addition or improvements, it also has the desired format, contains the substantive content of most chapters and is inherently coherent.

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[1] Regulation (EU) No1303/2013 of the European Parliament and of the Council on common provisions concerning the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund, on general provisions concerning the European Regional Development Fund, the European Social Fund and the European Maritime and Fisheries Fund and on cancellation of the Council Regulation (EC) No1083/2006.

[2] It is a reflection of both national and European regulations, directives, laws and guidelines – see the list of references in the last chapter of the report.

In the Evaluator's opinion, the main problem areas requiring attention include particularly Chapter 3 of the programming document concerning financing and distribution of allocation, Chapter 4 regarding the integrated tools and territorial development and Chapter 7 dealing with implementation and administrative structure.

During the review of the proposal of PD IROP, Deloitte has identified several risks and disparities, or potential for the development and improvement of programme setting logic. The report specifies concrete recommendations and remedial measures that aim to ensure the quality of the setting of the operational programme, so that it becomes an effective tool contributing to the objectives of the European Union strategy for smart, sustainable and social inclusion (the "EU 2020").

Main conclusions and recommendations on the individual evaluation areas

A brief summary of the evaluation of the PD IROP by individual evaluation areas is shown in the following two tables; the first one explains the importance of evaluation under “Status”, the other one contains a substantive description.

Status	Current situation	Justification for the current situation in the area
	No significant deficiencies found	The PD contains the necessary information and the proposed solutions of each IROP area do not show significant deficiencies.
	Several findings of moderate severity	The questions about the evaluation area lead to finding more deficiencies that require increased attention to their resolution.
	Higher number of serious deficiencies	According to findings of the ex-ante evaluation, the area is not adequately prepared and requires significantly greater engagement of the capacities of the responsible persons.

Evaluation area 1:	**Current problems and needs**
Global evaluation question	Are there relevant issues and needs identified the programme in terms of the development of a thematic area and region in relation to the current and forecast situation in the Czech Republic and in individual regions of the Czech Republic, in the context of the priorities and objectives of Europe 2020?
Conclusions and recommendations	The global objective and derived specific objectives of IROP address current problems and regional development needs of the Czech Republic in line with the priorities of the EU 2020, with limited reservations. Description of the current problems and needs is robust; however, in the case of certain objectives, there is insufficient reasoning further clarifying the link to use of funds in the current period to similar or identical activities (contextual information and data). The proposed support areas are based on the problems and needs identified in superior strategies (if available) and especially the Regional Development Strategy of the Czech Republic, respond to priority activities which are not dealt with under another thematic operational programme in accordance with the division of competences. The Evaluator recommends extending selected specific objectives to include data on the proposed procedure in the case of application of the territorial dimension and integrated tools and financial instruments. Targeting the desired areas results from the coordinated action and dialogue with relevant partners and represents a broad social consensus on national and regional priorities.

Evaluation area 2:	**Internal and external coherence**

Global evaluation question	Is internal consistency (coherence) of the specific objectives of the programme and coherence in relation to other relevant instruments (Ops of funds, CSF, or potentially other relevant regional, national and European strategies and programmes) sufficient?
Conclusions and recommendations	The internal coherence of the programme is clear and functional – although the proposed division into priority axes and their subdivision into specific objectives is uncommon in comparison with other programmes, it is well justified in the strategic part of the programming document and its structure is logical and structured. The priorities expressed by the share of the allocation suitably chosen taking into account regional needs and the absorption capacity. Slight space for improvement can be seen in the possibility to focus more attention on potential intra-programme synergies. Regarding external coherence, potential overlaps, complementarity and synergies are dealt with systematically right from the start of programming. Most of the problematic areas have been resolved through dialogue between managing authorities using the coordinating role of the NCA, appropriately clarifying and unifying the thematic focus of IROP. Recommendations for external coherence only aim at the completion of the coordination strategy during programme management with other OPs, especially in project shadowing through ESF support (education, social entrepreneurship, etc.).

Evaluation area 3:	**Intervention logic of the programme**
Global evaluation question	Is the intervention logic of the programme as a whole and of its individual parts correctly formulated? Do the planned interventions constitute an efficient and effective tool for resolving the identified problems and achieving the objectives? What are the assumptions and hypotheses that can define whether or not a determined intervention can be successfully implemented and achieve its purpose?
Conclusions and recommendations	The current version of the PD has a logical relationship between the needs, strategies, objectives, indicators and allocations; uncertainties regarding the functionality of the links only concern a limited number of specific objectives – see Annex 1 to of the report. The available materials and progress status, it is possible to evaluate intervention logic in accordance with the thematic concentration, having the desired interconnection with the strategy, finance, tool, result measurement, absorption and needs analysis. The evaluator's recommendations are towards the completion of already known specific limitations concerning individual objectives and the completion of the setting of indicator system values, which has a direct impact on the evaluation of

	the intervention logic of the proposed IROP intervention. Partial complications also include the outstanding procedures regarding the implementation of integrated tools and territorial dimension, which constitute an essential aspect of the integrated regional OP – however, it must be clarified that these are deficiencies due to delays in the preparation of materials by the NCA.

Evaluation area 4:	**Specific objectives and allocation of support**
Global evaluation question	Does the proposed indicative allocation of support correspond to the significance of the identified needs and potential, which were also used to set specific objectives of the programme, to the programme's contribution to addressing the problem, the to the nature of activities and selected forms of support and the requirements for thematic concentration?
Conclusions and recommendations	The highest share of allocation was given to the objectives associated with transport infrastructure, educational system and increasing the effectiveness and safety of ICT in the public administration. The proposal for the distribution of the allocation reflects the priorities of the Czech regions and reflects the dialogue with partners in the Steering Committee of IROP or inter-ministerial negotiations on issues of demarcation of responsibility for the disputed borderline areas. In accordance with the conclusions of the partial absorption analysis, the Evaluator recommends several proposals to consider reallocation, see EO 6. Furthermore, the Evaluator recommends all changes in the distribution of the allocation, typically in response to the elimination or restriction of a specific objective, open them for consultation with IROP preparation partners. The proposal for the distribution of the allocation for integrated tools is currently only general and requires more detailed elaboration, along with adding detail on setting the rules. It is not clear what key will be used to allocate funds under technical assistance between the managing authority, intermediate and other bodies of the implementation structure – this detail must be – at least generally – added to PD IROP.

Evaluation area 5:	**Compatibility between the OP and the draft Agreement**
Global evaluation question	Are the proposed objectives of the programme consistent with the identified problems and needs and in accordance with the Partnership Agreement and the Common Strategic Framework and the relevant Council recommendations on the National Reform Programme?
Conclusions and recommendations	The text of Chapter 1 concerning the IROP strategy contains a detailed description of links to specific objectives of the provisions of the Partnership Agreement, the National Reform Programme and other strategic documents; data

	are appropriately completed under Annex 3. The evaluator states that the managing authority logically and correctly mapped problems and needs of the thematic objectives and investment priorities of the European Regional Development Fund, in accordance with the defined priorities of the Partnership Agreement, the provisions of the Common Strategic Framework and the Position Paper. Deviations or discrepancies identified during the evaluation stages have been mostly removed and it is still necessary to clarify a limited group of less significant findings, which are presented in Annex 1 to the final report. Overall, it is possible to evaluate the current proposal of the operational programme to be compatible and consistent.

Evaluation area 6:	**Appropriate absorption capacity**
Global evaluation question	Is there sufficient absorption capacity for the proposed interventions?
Conclusions and recommendations	The Managing Authority has an analysis of absorption capacity; it includes only partial conclusions, with the opinions of some major players missing, or without clarification of a number of significant variables, e.g. what are the real possibilities of co-financing. Based on the knowledge of the history of absorption in relevant areas of the ROP and IOP and the knowledge of the conclusions of the partial absorption analysis, the Evaluator provides several recommendations for consideration by the managing authority; however, in general we can say that the proposed distribution of the allocation is supported by the existing demand for the given measures. It is necessary to say that the planned allocation of more than CZK 2 billion in social entrepreneurship (SO 2.2) is very contradictory, as in the current period it managed to absorb only CZK 100 million. Considering the last changes in the territorial dimension, the evaluator recommends to add more details about the plan to map the absorption for ITI and IADP, and reflect these findings – also, gradually add more details about the planned approach to the use of financial instruments.

Evaluation area 7:	**Setting of the indicator system**
Global evaluation question	Do the indicators meet the requirements of clarity, transparency, normative interpretation and robustness (see quality criteria for outcome indicators specified in the general ex-ante conditionality 7 in the draft General Regulation, Annex IV)?
Conclusions and recommendation	With each new version of the programming document, we can see an improvement in the indicator system settings; however, with regard to the advanced stage of preparation, it is necessary to indicate the progress as

s	insufficient. The Evaluator recommends stepping up communication with individual coordinators at relevant ministries in order to complete the setting of target values and comprehensively assess them – also with regard to the overlap of this backlog e.g. To the evaluation of the intervention logic. We can see positive status of the reasonable total number of indicators, but there is absence of selected definitions, clarifying comment on calculation methodology, a number of indicators are numeric or shares. The evaluation is complicated by the fact that there are significant discrepancies between the approach to the setting of the system by the European Commission and the NCA, especially in result indicators – whether to show in particular the results of the direct impact of individual measures, or whether to monitor society-wide changes unrelated to the support. Recommendations to further address these discrepancies are set out in Annex 2 to the ex-ante report.

Evaluation area 8:	**Setting up monitoring the pace of take-up**
Global evaluation question	Are the proposed target values of monitoring indicators adequate to the financial allocation and real in relation to the expected pace of financial and physical progress? Are the indicator system and monitoring procedures appropriately designed to efficiently monitor implementation progress and identify the effects (results) of the programme? Are the selected milestones and their values suitably selected for the performance framework? Assessment of the indicative evaluation plan of IROP
Conclusions and recommendations	Milestones, rules for reporting and regular operational decisions are not adequately described, the draft indicative evaluation plan requires completion and further specification. Procedure for determining the indicator values (not just for milestones) is justified and based primarily on the consideration of real experience and real data. The programming document does not provide for sufficient insight regarding the planned procedural support of the area and requires further clarification, in accordance with the requirements of Guideline for monitoring.

Evaluation area 9:	**Forms of support**
Global evaluation question	Are the proposed forms of support adequate and sufficiently justified?
Conclusions and recommendation	The monitored area reached significant progress during the various stages of preparing PD IROP; the description of the individual specific objectives specifies

s	most of the key information. The evaluator suggests adding detail to the proposed use of financial instruments (mainly in connection with the conclusions of the ex-ante evaluation) and clarifying the steps to be taken for projects generating net income.

Evaluation area 10: Administrative capacity	
Global evaluation question	Is there sufficient administrative capacity for programme management and appropriate involvement of partners?
Conclusions and recommendations	The text of Chapter 7 and 10 is only in general terms and provides limited answers on the subject. According to the available information, no needs analysis of administrative capacity has been prepared – we recommend to complete it. The proposal of PD IROP is not clear on how decisions will be made concerning the requirements for the funding of the capacities of individual implementation structure bodies, nor what may be legitimate figures of human other related capacities. The Evaluator therefore recommends that this topic be completed (e.g. in the form of a separate document) so that it is then possible to make the appropriate assessment. The evaluator does not consider it appropriate to build on the experience from the current period and continue with minimum changes to the capacities, especially with regard to a number of disproportions and deficiencies, which were pointed out in the conclusions of evaluation findings and reports of the audit authorities in the past. Substantial risks and suggestions for their elimination are listed directly in the final report. The conclusions of the evaluation further emphasize the insufficient clarification of preparedness for the implementation of the principles of eCohesion or the form of implementation of selected measures aimed at reducing the administrative burden for applicants.

Evaluation area 11: Implementation system	
Global evaluation question	Is the proposed implementation system, including the proposed system of control and audit, functional?
Conclusions and recommendations	The current programming document specifies that the management of IROP will involve **a total of 8 intermediate bodies, nearly two hundred owners of integrated strategies and one body providing for the administration of financial instruments,** with further involvement of several advisory and supervisory bodies. **The Evaluator considers the proposed management structure to be too complicated and leading to further bloating of administrative capacities, rather than to the simplification and streamlining, as defined in the priorities for the new period both at national and European**

	level. **In this light, the Evaluator recommends the MA to urgently discuss these issues with the NCA and other relevant bodies in order to achieve the simplification of the proposed implementation structure. The Evaluator believes that it is sufficient to have a sufficiently representative representation of stakeholders (mainly consultative) in the IROP Monitoring Committee, and there is no need to create duplicities by involving these entities in the implementation process.**

Evaluation area 12: Ex-ante conditionalities	
Global evaluation question	Is there progress towards the ex-ante conditionalities in accordance with Annex 4 to the draft General Regulation?
Conclusions and recommendations	The Evaluator recommends developing own action plan for IROP concerning ex-ante conditionalities, which should clearly specify how the managing authority will proceed with announcing calls, approving integrated strategies or administering projects in areas that are at risk of failure to meet the ex-ante conditionality.

Evaluation area 13: Horizontal principles	
Global evaluation question	Does the programme include a proposal of appropriate and sufficient measures to promote horizontal principles?
Conclusions and recommendations	No significant comments or recommendations.

Description of the reflection of the recommendations of the interim ex-ante reports

During the various stages of cooperation between the ex-ante evaluator and the representatives of the MA IROP, interim reports were prepared as envisaged under the contractual arrangement, which included evaluation of the available versions of the programming document. During the next stages of the preparations of IROP, a number of recommendations of the ex-ante evaluator were reflected and implemented; at the same time, selected recommendations were sidelined in order to address them at later stages of the preparation of the programming document.

In connection with the reflection of the incorporation of the recommendations, it is to be noted that one cannot clearly distinguish which recommendations were incorporated directly with a view to specify them in the ex-ante evaluation, which were incorporated with regard to the self-reflection of the IROP representatives, based on the comments of partners, in the reflection of the same recommendations made by the representatives of the European Commission in informal dialogue, or which were incorporated after reflecting the recommendations formulated by the National Coordination Authority.

However, an important conclusion is that these recommendations have improved targeting of IROP, its direction and its readiness to ensure effective and efficient utilization of funds in the implementation phase.

Among the important ex-ante recommendations that were incorporated during the various stages of programme preparation are, for example:

- adding detail to the justification of the selected specific objectives (contextual information and data), priorities in relation to the superior strategies and in relation to the current programming period;
- elimination of specific objectives or limitations of support area missing in the reflection or weak links to the Partnership Agreement, position paper or thematic objectives of the ERDF;
- improving the intervention logic in relation to further specification of indicators, thematic concentration and financial allocation distribution;
- adding details to the planned procedure of IROP concerning the use of complementary and synergy links;
- clarification of certain passages of the chapter Strategy and parts dealing with mapping the links of specific objectives to the relevant strategic documents;
- Start of preparation of documents related to the preparation of the new period (methodological sheets on indicators, delegation agreements, rules for reporting and operational decision-making of MAs);
- adjustment of the values of planned milestones and target values of the indicator system;
- incorporation of a detail concerning the application of State aid rules, the acceleration of the preparations for the use of financial instrument and the associated preparatory work;
- More detailed specification of passages of the individual specific objectives concerning specific acceptability criteria.

Proposed priorities for further course of action in the preparation of IROP

The ex-ante evaluator considers the PD IROP to be very well prepared, with appropriate involvement of partners, but to complete it in a way that is consistent with the conditions for ESI funds and at the same time appropriately prepared for the implementation phase, the Evaluator considers it essential to focus attention on the following priority steps.

Operationalization of the territorial dimension rules

With the release of the first version of the National Document on Territorial Dimension, the evaluator considers it essential to reflect the above principles and rules (to which IROP contributed) directly into the programming document. Because it is a substantial interference with the internal logic of the plan for the targeting of support under individual specific objectives, the Evaluator believes that after update it is relevant to open space for IROP partners involved in its preparation, allowing them to comment on the proposed changes. The commenting process can be realized through e-mail communication, or the inclusion of the relevant item on the agenda of the nearest steering committee meeting or working group meeting.

It is necessary to continue to pay great attention and priority to the further refinement of those principles and rules to make it abundantly clear where to introduce bound concentration of allocation within a specified geographic area and where to apply the principle of increased intensity of support for the selected area. Likewise, it is necessary to continue to clarify the details on individual specific

objectives regarding the definition of the measures which will be subject to the rule of territorial focus, or what criteria will be applied to define the area, what documents will be used, etc.

Finally, the current version of PD IROP does not contain further clarification of the rules on where the given specific objectives will allow the submission of an application through the normal grant process and where it will be possible to apply integrated tools ITI and IADP, or whether this option will be left open.

Completion of the setting of the value part of the indicator system

With regard to the advanced stage of preparation of the programming document, the Evaluator believes that there is a need to make additional efforts towards resolving conflicts regarding the setting of the indicator system, namely resolving the absence of completion of milestone and target values of indicators. The Evaluator recommends to increase the priority of this area, especially with regard to the increased importance of the whole area in the new programming period, as errors in the setting the performance framework may pose a threat to the allocation for the entire operational programme.

With regard to the specificity of the IROP's focus, MA as coordinators for the given area find it difficult to complete the entire programme – a number of indicators is common with thematic programmes and a number of indicators are subject to close coordination with colleagues from other ministries which are responsible for the coordination of that specific objective. These barriers need to be addressed with greater effort in order to be able to complete the system as soon as possible and submit it for comments to preparation partners. Above all, it is necessary to focus on the setting of objectives and have them undergo scrutiny.

Ensuring clear rules within the implementation structure

The Evaluator considers the proposed management structure to be too complicated and leading to further bloating of administrative capacities, rather than to the simplification and streamlining, as defined in the priorities for the new period both at national and European level. We consider the current proposal to pose a serious threat to the programme and we propose that the decision be reassessed in consultation with partners and the NCA.

The evaluator considers the proposal for the setting of the implementation structure to be unsatisfactory, especially with regard to the available conclusions on the non-functionality of a similar model applied for IOP, or, more specifically, its very difficult controllability. A proposal of a robust implementation structure, as proposed, requires a clear and detailed definition of the rules for the roles, powers and responsibilities of all stakeholders involved. In accordance with the recommendations conveyed at a personal meeting, the Evaluator recommends the preparation of these rules without undue delay, whether they are ultimately included in the PD, operating manual, or into a stand-alone document. The managing authority must, first and foremost, set clear personal responsibilities (e.g. using the RACI matrix principle), clear process flows incl. deadlines for each activity, clear performance rules to ensure motivation and low error rate. In addition to these rules, it is also essential to prepare clear rules for escalation of problems or risks, so that there is no doubt about who is directly responsible for each unforeseen event.

Preparation for the connection to the MS2014+ and implementing the principles of e-Cohesion

The Evaluator proposes to pay appropriate attention to all the steps associated with preparing for the introduction of the use of the central information system for project administration MS2014+ and to the introduction of the obligation of electronic communication with beneficiaries. Although these activities are associated with the commencement of take-up in the new period, the complexity of their

preparation makes it imperative to give them priority. The representative of the managing authority must consider the potential need to develop or procure new applications or other ICT tools that will serve as the key connecting element to perform the role of MA in the new period under new rules.

Resolving unknowns with administrative and absorption capacity

With regard to the comments reported in the ex-ante evaluation report, the Evaluator recommends addressing these shortcomings by commencing the preparation of analyses that could dispel fears of both insufficient/incorrect provision for capacities of the individual implementation structure bodies, and of the potential problems with insufficient take-up with regard to problematic mapping of absorption.