



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

DLV 4 -

Final Report on recommendations for revising and supplementing existing guidance on the application of the DNSH principle

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### Contract details

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Czechia

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Methodology for the application of the DNSH principle at the national level  
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# 1 Introduction

## 1.1 Objective of Deliverable 4

The objective of Deliverable 4 (DLV4) is to compile a set of fit-for-purpose recommendations for potential revisions, amendments or additions to supplement the existing guidance on the application of the “Do no significant harm” (DNSH) principle in Czechia - the Framework guidance for the implementation of the DNSH principle and Climate Proofing for the EU funds in Czechia, developed by the Ministry of Environment (MoE).

As per the Request for Service (RfS), the proposed recommendations should be based on investment categorisation developed by the project team. The investment categories will consist of types of investment and interventions identified across all programmes and EU funds that are in scope of this TSI project and relevant for Czechia, for which alignment with the DNSH principle is required.

Identifying the relevant types of investments<sup>1</sup> and interventions, both existing (open calls) and currently in the pipeline, and subsequently creating the categorisation, provides an overview of the main priorities, funded sectors and areas, and types of activities where the financing from the EU funds will be allocated in the programming period 2021-2027.

The DLV4 and its findings represent an interim step which will feed into and inform the design and the development of the coherent guidelines on the application of the DNSH principle as part of the DLV5.

## 1.2 Overview of key findings from ad-hoc support and previous deliverables

The purpose of this report is also to outline our approach to DLV5 as part of the TSI DNSH CZ project. The first three deliverables focused on the analysis and diagnostics of the current stage (i.e., status quo) of the DNSH principle and CP assessment application in Czechia, as well as practices and examples of the application of the DNSH principle in other peer EU countries. It has enabled the project team to better understand the practices and processes followed to apply these concepts across different entities managing public investments for measures and projects financed from the EU funds. Simultaneously, it has uncovered key challenges, priorities, needs and expectations, which need to be taken into account, addressed, and incorporated into the draft of the methodological guidance developed under the DLV5.

The below section highlights some of the key findings to be considered for DLV4, and DLV5 accordingly.

### 1.2.1 Deliverable 1 - Inception report

- The entities managing public investments (both in programmes and the National Recovery Plan (NRP)) have approached the application of the DNSH and CP assessment in varied formats and there is an evident lack of consistency and coherence across the programmes and components.
- There is limited knowledge and experience with the application of these concepts, and the current understanding of the topics varies across the entities managing public investments.

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<sup>1</sup> Investment refers to the economic term of 'capital expenditure', i.e. expenditure on the acquisition of fixed assets.

- Given the timeline of the financing period of 2021 - 2027, the DNSH assessment process has already been set up for all programmes and the NRP (RRF), and one of the pressing priorities is to verify that the selected approaches are sufficient and in line with the EU regulation.
- The Ministry of the Environment (MoE) recently (end of 2022) developed framework guidance for the DNSH application and CP assessment, which will be taken into account in the design and development of the methodological guidance as part of this TSI project.

### **1.2.2 Deliverable 2 - Diagnostic report**

- The DLV2 identified some of the main gaps in the existing guidance documents at the national level (i.e., both developed by the Ministry of Trade and Industry (MIT) and MoE), which highlighted potential areas for improvement or revision to increase usability and content of the documents.
- The analysis in the DLV2 further provided the project team with a more in-depth understanding of the current status, approaches, and documents (forms) used across the funds and programmes
- Consultation and findings in the DLV2 uncovered external stakeholders' expectations, which mainly revolved around the importance of coherence, clarity, simplicity of the guidance, and the need to develop a guidance document aimed specifically for the project proponents.
- There is a need to analyse and improve the alignment of the Czech national legislation and the requirements under the DNSH principle/EU regulation, to efficiently leverage existing legislative processes and data generated that can help ensure compliance.

### **1.2.3 Deliverable 2 - Ad hoc support**

- There has been evident dominance of the questions/requests focused on the challenges with the CP assessment and correct interpretation of the EU regulations.
- Strong interest focused on verification of the already set up approach to DNSH and CP across programmes, to ensure that the current approach is sufficient.
- The project team noted case of misunderstanding and/or missing of some of the key aspects of the EU level regulation and its impacts on the application on the DNSH ex-ante assessment
- Strong focus of requests and questions about potential simplification of the process for both DNSH and CP- especially for calls/areas where a high number of small projects is expected.
- There have been evident challenges noted especially when it comes to conducting the CP assessment for climate adaptation, mainly due to high complexity of the methodology and the lack of relevant data.

### **1.2.4 Deliverable 3 - Webinars and lessons learned**

As part of the three Webinars, which took place as under the Deliverable 3, the following considerations have been identified as key to take into account in the Deliverable 4:

- The content and process of DNSH assessments should accommodate for flexibility over time, in order to reflect the lessons learnt through the years and changes to the objectives and environmental risks.
- There is a strong need for clarification of thresholds at the EU level, which should be taken into account in the guidelines developed as part of the DVL5

- The developed guidelines must be simple, easy-to-use and follow. The document should be clear, synthetic and pragmatic particularly where their audience consists of proponents, e.g. by offering checklists and imposing the same criteria across all financial instruments
- The guidelines document should include additional resources, such as templates, case studies etc.
- The guidelines should consider the possibility to develop (additional) DNSH criteria specific to calls or projects to tailor the generic DNSH assessments to particular contexts.
- There is a need to strike a balance between a limited administrative burden and oversimplified DNSH assessments, while still ensuring sufficient environmental integrity.
- It is key to consider the number and differences of the authorities and stakeholders involved (both authorities managing public investments and project proponents), not only in the guidelines development, but also when it comes to future capacity building and training.

### 1.3 Methodology and approach for the Deliverable 4

This section outlines the main steps in our approach when it comes to the identification of investment type and compiling investment categorisation under the DLV4.

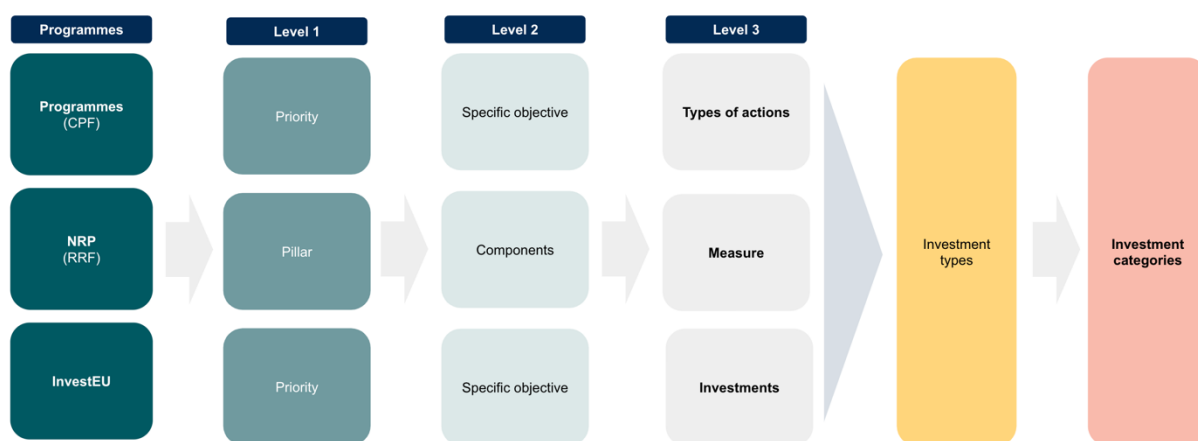
#### 1.3.1 Investment types

The project team followed the steps below to identify the types of investments at programme level under EU Funds and programmes, for which alignment with the DNSH principle and/or CP assessment is required.

- **Step 1** - The team conducted an in-depth review of relevant documentation and resources under all programmes, the NRP (RRF), and the InvestEU to first identify the focus and investment areas for each fund in scope. The documentation and resources reviewed include the main programme documents outlining the funded areas and objectives, schedules and timetables for the funding pipeline, programme websites with information on the planned allocation of funds, plus information and documentation for the already opened calls.
- **Step 2** - Once all documentation and information was collected, the project team compiled a comprehensive table listing the information across multiple levels of each programme/fund, as per the diagram (Figure 1) below. In order to ensure that all planned investments were captured, the review included an equivalent (or as close as possible) depth of the levels in each programme/fund (CPF, NRP, InvestEU), all the way to the level at which the DNSH assessment is required to be carried out. These levels included priorities/pillars - main areas of focus (e.g., GHG *Emission reduction*, *Digitalisation etc.*), Specific objectives/Components - specific goals for each funded area (e.g. increasing digital connectivity; increasing energy efficiency and reducing emissions of GHG), and the Types of Actions/Measures level - specific action and/or improvement funded by the investment (e.g. Building new networks and upgrading existing network infrastructure for Internet access with specific parameters, Reduction of energy performance of buildings owned by state institutions).



Figure 1 - Process for collecting and reviewing information to identify investment types and categories



- **Step 3** - The team then proceeded to identify investment type at the Type of Action/ Measure level by finding overlaps in the activities, improvements, and both tangible and non-tangible intervention/activities funded across all programmes and funds. This step created groups (types), which represent a specific investment type. In addition, on the best-effort basis, the team also considered aspects such as the foreseeable complexity of the DNSH assessment (e.g., technical screening criteria), targeted themes and sectors in question, and potential inclusion of infrastructure<sup>2</sup> elements.
- **Step 4** - Once the list of investment activities and types were identified, the table and the collected information from the previous step was reviewed and reconciled (where possible) against the sectors and economic activities included in the Commission Delegated Regulation (EU) 2021/2139) to ensure that the terminology used in the analysis is consistent.

### 1.3.2 Categorisation based on investment types

As described in previous sections, investment categorisation has been developed based on the shared characteristics and the most pronounced features of the investment types identified. The characteristics include sectoral and thematic aspects, perceived implications for the application of the DNSH principle and the potential requirement for the CP assessment. To create the categories, the types have been merged into high-level overarching groups (i.e., investment categories). The categories have been designed in such way, that each investment type will fall into at least one (or more) categories.

<sup>2</sup> Definition of Infrastructure as per the [Technical guidance on the climate proofing of infrastructure in the period 2021-2027](#), p.9

## 2 Investment typology and categorisation

The sections below provide an overview of the key findings, which stem from the identification exercise of types of investment/interventions and the creation of the investment categorisation. In addition, this section explores the main implications of the identified types of investments in the programmes and funds in Czechia on the application of the DNSH and CP assessment.

### 2.1 Investment types

In total, 44 investment types have been identified across the priorities and specific objectives of the programmes and funds in scope. Out of the investment types, 16 investment categories have been created.

Since identified investment types consist of a variety of actions under the level of specific objectives of components, some of them include activities and interventions that fall under multiple or a combination of different investment categories. For instance, if an investment targets a new innovative technology for renewable power generation (e.g. Programme TAC), it has been assigned to three separate categories: Energy / Innovation / Technology.

The full list of the investment types and assigned categories for each of them is presented in the table below.

**Table 1 Full list of the investment types and their assigned categories**

Investment types	Categories assignment
Administrative capacity & technical assistance	Administrative, process & project capacity
Legal reforms / advice / expertise	Administrative, process & project capacity
Project preparation and documentation / project support	Administrative, process & project capacity
Business / administrative process improvement	Administrative, process & project capacity
Tourism management	Culture & tourism
Cultural heritage conservation	Infrastructure / Culture & tourism
Landscape revitalisation (e.g., brownfields)	Infrastructure / Landscape
Improvement of habitats and wildlife	Infrastructure / Nature protection
Protection of biodiversity	Infrastructure / Nature protection
Construction & development of green infrastructure (e.g. urban forests, water collection)	Infrastructure / Nature protection
Construction & development of low-carbon transport infrastructure (e.g., rail, EVs, multimodal)	Infrastructure / Transport
Construction & development of other transport infrastructure	Infrastructure / Transport
Construction & development of IT & telecommunication infrastructure	Infrastructure / Technology
Digitalisation and information systems (non-infrastructure)	Technology
Other new technology and equipment	Technology
Construction & development of other public services & private infrastructure	Infrastructure / Infrastructure
Education (investments expenditure)	Infrastructure / Education
Education (costs)	Education
Training & capacity building	Education / Social & health support
Improvement of employability	Social & health support
Improvement of working conditions	Social & health support

Modernisation of employment services and labour market development	Social & health support
Improvement of socio-economic conditions	Social & health support
Other social & health support (costs)	Social & health support
Other social & health support (investment)	Infrastructure / Social & health support
Energy generation (RES & low carbon)	Infrastructure / Energy / Technology
Energy generation (gaseous fossil fuels)	Infrastructure / Energy / Technology
Energy generation (other)	Infrastructure / Energy / Technology
Energy transmission & distribution	Infrastructure / Energy / Technology
Energy storage & transformation	Infrastructure / Energy / Technology
Manufacture of biogas and biofuels	Infrastructure / Energy / Technology
Energy efficiency	Infrastructure / Energy / Buildings / Technology
Construction of new buildings	Infrastructure / Buildings
Renovation of existing buildings	Infrastructure / Buildings
Water/sewage treatment & management	Infrastructure / Water & waste management
Waste treatment & management	Infrastructure / Water & waste management
R&D (investments)	Infrastructure / R&D / Technology
R&D (costs)	R&D
Innovation of services and products	Innovation
Innovation capacity	Innovation
Purchasing of vehicles	Infrastructure / Transport / Asset acquisitions
Acquisitions of land	Asset acquisitions
Acquisitions of assets (except land, vehicles)	Asset acquisitions
Financial instruments or products (e.g. SMEs, start-ups)	Financial instruments

## 2.2 Investment categorisation

The investment categories created based on investment types identified are analysed below (in alphabetical order):

### 1. Administrative, process & project capacity

This investment category consists of a combination of investment types, which include non-tangible interventions without infrastructure elements and are focused on administrative types of activities, process improvements, project preparation in the private sector, and obtaining expert and/or legal advice. This category also includes actions under the Technical Assistance budget in the Programme JAC, IROP and Transport, which are specifically focused on ensuring quality management and successful implementation of these programmes, for instance by improving the administrative capacity of the relevant managing authority, management of the programme or technical support and communication. Similarly, such as for example under Programme Just Transition under the specific objective of Restoration of the area and action of *Reuse of brown coal mining sites and related industries*, potential investment also includes project preparation and planning support.

### 2. Asset acquisitions

The asset acquisition category stands for investment in the form of direct purchase or acquisition of assets such vehicles, land or other. For instance, an action/activity purchasing vehicles has specific DNSH criteria included in the delegated act regulation and thus present certain limitations as to what type of vehicles may and may not be purchased. In particular, the Czech NRP includes multiple measures focused on investments support direct purchase of vehicles (either electric or hydrogen powered) for private companies, municipalities and public

entities, or public transport in Prague.

### **3. Buildings**

The investment category of buildings mainly includes investment types with focused on construction of new buildings and/or renovation and modernisation of existing buildings. These types of actions are cross-sectoral and are included in a variety of programmes and funds in scope. Given the general and cross-cutting nature of these activities, they will inherently fall under several of the proposed investment categories, such as for instance Energy (when it comes to Energy Efficiency investments) or Infrastructure (as buildings and new objects also encompass investments into infrastructure). Similarly, projects and actions in other investment categories may include construction aspects, such as for example investment into renewable energy generation (e.g., construction of new plants). For instance, Programme Environment investments into constructions under its specific objectives of Promoting access to water and sustainable water management (e.g.) Construction of wastewater treatment plant) or Promoting energy efficiency and reducing greenhouse gas emissions (e.g., Construction and reconstruction of renewable energy sources for public buildings).

### **4. Culture & tourism**

This category includes investment types focusing on the tourism management and conservation of cultural heritage. Certain types of actions included in the category involve construction or development of infrastructure to support tourism or enable better access to cultural sites. For instance, in the Just Transition Programme, under the specific objective focused on Restoration of the area, certain investments aim to provide support for culture and preservation of cultural heritage, building public spaces, sports and multifunctional infrastructure focused on culture and recreation. Similarly, under Programme IROP, certain investments target improvement of the quality and educational infrastructure and development of cultural heritage.

### **5. Education**

The investment category of Education groups together three investment types. These are as follows:

- 1) Education-related actions/activities, which represent certain investment with a physical or tangible (e.g., infrastructure) element or intervention. For instance, this may be focused on modernisation and equipment of classrooms in schools (e.g., Programme Just Transition) or reconstruction of teaching facilities and laboratories (e.g., Programme JAC);
- 2) Education-related actions/activities without a physical or tangible element focused on knowledge generation, knowledge sharing, and/or operations in education sector (e.g. schools, universities, etc.) For instance, cooperation between schools and support for experience sharing (e.g., Programme JAC); and
- 3) Training & Capacity building, which includes training and capacity building activities for stakeholders outside the education sector, mainly staff training focused on improved employability, such as, for instance, support for education to strengthen the position of people on the labour market (Programme Employment), or training and retraining in enterprises affected by the transformation (Programme Just Transition).

### **6. Energy**

Investment and interventions falling into Energy investment category include the highest number of investment types. The activities identified across programmes and funds in scope have been divided into the following investment types:

- 1) Energy generated using low-carbon or renewable sources,
- 2) Energy generated by gaseous fossil fuels,
- 3) Energy generated by other sources,
- 4) Transmission & distribution of energy
- 5) Energy storage & transformation,
- 6) Manufacture of biogas and biofuels; and
- 7) energy efficiency.

It has been noted that majority of energy-related investment and interventions also include an infrastructure element and/or new technology being deployed, and therefore this investment may also fall into the infrastructure, and/or Technology investment category. Investments into energy-related activities or assets can be found across specific objectives in a variety of programmes and funds, such as for instance, construction and modernisation of small hydropower plants (Programme TAC), construction and reconstruction of renewable energy sources for public buildings (Programme Environment) or improving the energy performance of state buildings (NRP/RRF).

#### **7. Financial instruments**

This category represents investment types, which includes direct support to companies through financial instruments focused on providing financing to SMEs and start-ups (for instance included in the Programme TAC and InvestEU). The category does not involve an investment activity as such, but rather is based the format and the structure of investment. The investment into financing through financial instruments can be found in Programme Just Transition, which offers a Loan facility for SMEs for investments into both tangible and intangible assets, and Programme TAC focused on financing for companies for improved competitiveness and direct job creation.

#### **8. Infrastructure**

The infrastructure investment category is the largest group of investment types. This is due to the fact that the majority of investments and interventions across programmes and funds involves certain element of infrastructure and therefore can fall into this category. For instance, energy-related investments, especially into generation of power or energy efficiency require construction or modernisation of facilities or infrastructure objects. Yet predominantly, the category is specifically focused on investments and interventions related to construction & development of infrastructure, such as green infrastructure, transport infrastructure, IT and telecommunications infrastructure, which are included in Programme Transport, Programme IROP, and the second pillar of the NRP: physical infrastructure and green transition.

#### **9. Innovation**

The innovation investment category includes investments into innovation of services and products, as well as into improving innovation capacity. While innovation interventions can also be included in a variety of programmes and funds, a separate category has been created as there currently exist several innovation-focused investments, where innovation of services

and/or products or development of innovation capacities is at the core. These are, for instance, investments into innovation in education in the context of digitalisation or support for introduction of innovation into business practice (the NRP), or development of innovation capacities and deploying (Programme JAC). In addition, Programme TAC has a wide range of support focused on investments in innovation, such as for example product and process innovation, industrial modernisation and the application of advanced technologies.

#### **10. Landscape**

This investment category includes investments and interventions into revitalisation of landscapes, especially brownfields revitalisation, land consolidation or land-related measures for improved climate adaptation. A large portion of relevant investments is funded from the NRP, specifically from the component 2.8 Brownfields revitalisation under the pillar of Physical infrastructure and green transition, providing support for revitalisation of specific areas and activities focusing on improving the quality of land. Similarly to other investment types, investments into landscape revitalisation may also be fall into more categories. For instance, regeneration of brownfields for business use may involve demolition of existing objects, construction of new infrastructure, and activities focused on energy efficiency. The Programme Environment focuses on measures in landscaping work for climate adaptation, such as for example, restoration of slope stability, stabilisation and rehabilitation of extreme slope instabilities as part of the disaster risk prevention.

#### **11. Nature protection**

The Nature protection category encompasses investment types focused on the improvement of habitats and wildlife and protection of biodiversity. Such investments are one of the main priorities of the Programme Environment, and specifically the focus on Nature and pollution and strengthening the protection and conservation of nature, biodiversity and promoting habitats and species and caring for the most valuable parts of nature and the landscape. Nature protection activities may be included in other groups and across investment types, as certain elements are involved in the construction and development of green infrastructure or water management solutions in green areas.

#### **12. R&D**

The R&D category includes investment types focused on research and development activities, divided into investments and cost sub-groups. The interventions in the investment sub-group include investments into tangible elements such as technology or equipment acquired to support the research activities. On the other hand, cost sub-group include investments into non-tangible intellectual aspects of R&D, such as expert advice, staff, or knowledge sharing activities. Research focused on product development and digitalisation is one of the components in the NRP. Similarly, Programme TAC includes investments into activities aimed at verifying the application potential of new R&D results before their possible application in practice, as well as development of industrial research. In addition, Programme Environment includes investments into research and surveying for investigation of pollution and associated risks, and Programme JAC promotes cooperation between research organisations and development of joint research projects.

#### **13. Social & health support**

This category includes a variety of investment types focusing on improvement of socio-economic conditions, employment, and provision and modernisation of healthcare services. These investments are dominant in the Programme Employment, which specifically focuses on social topics such as material assistance to people affected by poverty, social inclusion and equality as well as social innovation. In addition, the programme includes multiple investments and interventions on modernisation of employment services and labour competitiveness, and training and qualification of workers. On the other hand, health support and modernisation of healthcare is included in the NRP, specifically focusing on population health and resilience of the health system and strengthening of the oncological prevention and care. Certain investments in this category may also involve infrastructure elements, for instance, under the pillar six in NRP, which includes investments into construction of a centre for cardiovascular and transplantation medicine.

#### **14. Technology**

Technology is one of the largest investment categories. Similar to infrastructure, this is due to the cross-sectoral and cross-thematic nature of technology, which is included and involved in a variety of investment types such as R&D, education, innovation, energy or infrastructure. When it comes to investments and interventions which exclusively target technology, two investment types have been grouped together: 1) Digitalisation and information systems (non-infrastructure), and 2) Other new technology and equipment. The investments from the first group are included in several programmes and funds. For instance, Programme IROP focuses on digitalisation, centralisation and standardisation of selected public administration services (e.g., eHealth), and the NRP provides investments focused on provision of digital services to citizens and businesses. The second group invests into technologies and equipment used in production and manufacturing, for example, into technologies to produce a secondary raw material and/or increase the recyclability of products under Programme TAC or investments into high-capacity digital networks under the NRP.

#### **15. Transport**

Investment types in the Transport investment category are closely linked to the infrastructure category. However, this group only includes investments which are allocated to construction & development of transport infrastructure. In particular, the investment types in this category include 1) Construction & development of low-carbon transport infrastructure (e.g., rail, electric vehicles (EVs), multimodal), and 2) Construction & development of other transport infrastructure. The Programme Transport and Programme IROP focus on investments in the first category especially under the main Priorities of European, national and regional mobility and sustainable urban mobility. The investments in this programme specifically target development of safe, sustainable and intermodal transport network and low carbon, such as rail transport. Similarly, the NRP provides investments into sustainable transport and clean urban mobility, for instance, building infrastructure for public transport in the city of Prague. The second group represents infrastructure for road transport, also included in Programme IROP, focused on investments into construction and modernisation of the Class II roads, improving accessibility to the TEN-T.

#### **16. Water & waste management**

This category includes investments type focused on water and sewage treatment and management, and treatment and management of waste. Both types of investments may include infrastructure element and thus will fall into one or more categories. Certain aspects of water and waste management are included in most programmes and funds, specifically in activities and interventions focusing circular economy and efficient resources management. For instance, investments in the Programme TAC target promotion of sustainable water management as part of the transition to a resource-efficient circular economy, among others. Similarly, Programme Environment provides investments into modernisation of water supply and sewerage, and the NRP's pillar on Physical infrastructure and green transition includes component focused on circular economy, recycling and savings in water used in industry.

## 2.3 Interlinkages between the categories and the DNSH assessment in Czechia

The below section provides an overview of the interlinkages and overlaps between the identified investment types, investment categories and the DNSH assessment in Czechia.

### **Assessment steps and investment categories**

While there is a number of investments under the NRP which focus directly on physical infrastructure and green transition, five of out six main pillars target predominantly non-tangible, know-how based or administration investment categories (e.g., employment, administrative and project capacity, social support & healthcare), in which a simplified DNSH assessment may be sufficient. In comparison, out of eight cohesion policy funds in scope, six include investments specifically targeting construction and/or modernisation of buildings and infrastructure. The remaining two, such as Programme Employment and Programme JAC, still may include interventions with minor infrastructure and construction element.

Given the number, focus and scope of the cohesion policy funds in Czechia, they are represented across all investment categories identified, with their interventions at the type of actions level often falling into multiple categories. While there are certain investment categories where a simplified DNSH assessment should be sufficient for most investments (e.g., administrative, process & project capacity, education, R&D), for majority of categories (e.g., energy, buildings, infrastructure, water & waste management, technology) more environmental impact is foreseeable and thus a substantive DNSH assessment will be required. Given the dominance of these investments and the combination of investment categories at the type of actions level, it adds to the complexity of the DNSH assessment process for the programme authorities. Therefore, a clearly structured step-by-step guidance is key to ensure sufficient compliance with the principle.

In addition, based on the cohesion policy fund regulation, a mandatory CP assessment applies for projects with infrastructure, regardless the size or the cost. This finding is in line with the insights collected as part of the Ad hoc support in the DLV2, where the majority of requests for support were focused on the CP assessment for infrastructure. This justifies the need for increased support and resources, as well as more elaborated instructions for the Climate Proofing assessment process in the methodological guidance developed as part DLV5.

### **Exclusions and investment categories**

The nature of some of the most represented categories across the funds and programmes in scope also feature certain exclusions, restrictions and/or conditions that need to be taken into account in the



DNSH assessment process (especially in the call design stage). In particular, as also outlined in Annex B, investment in housing is permitted unless related to the promotion of energy efficiency or renewable energy use (investment category: Buildings, Energy). Similarly, investments into airport infrastructure (investment category: Infrastructure) investment type and disposal of waste in landfill (investment category: Waste treatment & management) are excluded from the scope. In addition, according to the sectoral specifics under the CP Technical Guidance, Article 3.2 (2021/C 373/01), infrastructure projects fuelled by or carrying fossil fuels, where specific assessment is required (investment category: infrastructure, Asset Acquisition (purchasing of vehicles)).

## 3 Fit-for-purpose recommendations

Based on the above findings and the investment types and investment categories identified in the previous sections, as well as insights acquired as part of the previous deliverables, the project team compiled a set of fit-for-purpose recommendations. These recommendations specifically focus on the approach to and structure of the methodological guidance that will be developed as part of the DLV5 and/or can be considered for potential linkages and revisions to the existing national level guidance on the application of the DNSH principle and CP assessment. In addition, where applicable, the recommendations refer to specific sections of the already existing DNSH guidance documents in Czechia, predominantly focusing on the framework guidance for the application of DNSH and CP assessment developed by the MoE. This is because the methodological guidance for the application of the DNSH principle developed by MIT only provides guidance on the RRF and does not include the Cohesion policy funds or the InvestEU. A set of main recommendations will be presented in the below sections.

These can be categorised as follows:

1. Basis for recommendations on the structure and approach to guidance
2. Recommendations for guidelines contents and clarity

The sections below outline the recommendations in more detail.

### 3.1 Basis for recommendations on the structure and approach to guidance

The project team recommends following and incorporating the below presented format and approach to structuring the steps for the application of the DNSH principle in the methodological guidance.

More detailed rationale behind the recommendations provided to use this approach is as follows:

- **Findings from Ad Hoc Support** - Based on the analysis in the DLV2 and the specific requests received as part of the Ad hoc consulting support in particular, it has become evident that the main issues and challenges around the do not stem from specific investment types and sectoral investment categories, but rather come from misunderstanding and incomplete interpretation of the process and requirements set in the EU level guidance and regulations. In addition, as stated by some of the programme authorities, this is also due to a certain level of ambiguity and inconsistency in the explanation of the practical application of the EU regulations in question. Based on this finding, the project team recommends either developing, or amending the existing guidelines in a way, which would address the entire spectrum of potential situations across different programmes and/or components, thus bring the most value to the user.
- **Practicality** - The recommended approach represents possible options for different stages of the DNSH application and can already create a strong basis for the structure and format of the methodological guidance (DLV5), which will be further complemented by visual elements such as decision trees and diagrams to ensure improved usability. Similarly, this approach will be used in the pilot the testing stage, which is currently being conducted as part of the TSI project

and can thus be validated from the perspective of usability and practicality - before it is applied to the development of the methodological or used as the basis for revisions to complement the existing guidance, to enhance the clarity and usability of the existing guidance document currently in use.

- **Inclusion of different stages of the DNSH application** - The recommended stage-based approach to structuring the DNSH guidelines includes different considerations (i.e., parameters), which may directly influence the requirements and the assessment process for the DNSH and can therefore be followed as a step-by-step procedure for assessing different types of investments and interventions. This allows to more effectively reach the objectives of DLV4, by leading to a concrete analysis of what it takes to overcome the investment specific challenges. We thus propose to consider when (i.e., in which stage) the investments specific challenges should be addressed.

## 3.2 Recommended DNSH assessment steps

While the above analysis of the investment types and investment categories provides a comprehensive overview of the main areas and planned investments and interventions in the financing period of 2021 - 2027, it is not the type of the investment/intervention or the investment category that explicitly sets the requirements and the process for the DNSH assessment. In other words, while the funded area, sector, and respective types of actions may influence the complexity of the assessment and the DNSH requirements, it does not represent a common denominator that directly changes the approach to the DNSH application or alters the steps in the assessment. Instead, the exact process for the application of DNSH principle will depend on the combination of different parameters (e.g., source of funds, availability of the TSC, etc.) that have direct impact on both the steps of the assessment process and the DNSH requirements. For this reason, in order to ensure coherence and applicability of the methodological guidance across all programmes and funds, we recommend using an approach structured around main stages of the assessment process with a clear indication of how specific parameters in each stage influence the assessment. This approach is explained in more detail below.

### 3.2.1 Stages of the DNSH assessment and key parameters

The section below outlines the considerations (parameters) included in the proposed approach. The considerations have been selected on whether and how they directly impact the application of the DNSH, the complexity of the assessment, the set of requirements, and additional methodologies that need to be involved in certain cases (e.g., Climate proofing for infrastructure). Each of the five stages has been based on the EU level regulation and/or technical guidance documents and provides brief justification on why it has been selected and how it impacts the DNSH assessment process. Guidelines will at the programming stage drive the focus on investments without potential harm, while at the implementation stage should also aim to design some mitigation measures. For more detailed information and description of each stage and parameters it includes, please see Annex B.

#### 1. EU fund

The EU fund (i.e., the source of funds for the programmes and investments at the national level) represents the first and the most crucial consideration, that influences all steps throughout the DNSH assessment. Depending on whether the funds are from the Recovery and Resilience Facility (RRF), InvestEU, or Cohesion policy funds (CPF)), this will directly impact

the different stages of the DNSH application from the ex-ante assessment to decommissioning phases, as well as the requirement for and interlinkage to other environmental methodologies such as climate and sustainability proofing. In addition, based on the fund-specific regulation documents, the source of funding will dictate the sectoral specificities and potential exclusions.

## **2. Sectoral and national specificities**

Each fund may involve specific sectors and/or activities that are excluded from the eligible investments (e.g., production of fossil fuels, waste incinerators) or involve additional conditions that must be met in order for the activities to be included in the programme. The exclusions and restrictions are provided in the fund-related EU level regulation or technical guidance documentation, a list of which can be found in the Annex B. The sectoral specificities need to be considered prior to the following stages of the DNSH application to ensure compliance with the respective regulation and/or proper interpretation and inclusion of the additional conditions in the programme documents. Similarly, additional national restrictions should be considered at this stage to ensure compliance with national legislation.

## **3. Assessment level**

The source of funds feeding into the programmes at the national level also dictates the level at which the DNSH assessment should be carried out. Depending on the fund, the level for the ex-ante assessment will vary between the measure/investment level (RRF), level of the types of actions defined in the programme (CPF), or project level (InvestEU). The level of the assessment will further specify the activities for which DNSH requirements need to be identified and complied with, as part of the subsequent step.

## **4. Assessment type**

Based on the activities/investments identified at the respective levels, different types of assessment may be required. This step serves to consider and confirm whether simplified assessment will be sufficient, or more substantive assessment is required. For simplified assessment, a brief justification can be provided with respect to those environmental objectives for which no or an insignificant impact is foreseeable. For activities and investments, which require a substantive assessment, the technical screening criteria for DNSH - either generic or specific - should be used to perform in-depth assessment and/or develop DNSH requirements.

## **5. Interlinkages with climate proofing (CP) or sustainability proofing (SP)**

The source of funds will dictate the requirement (i.e., recommended or mandatory) for the specific environmental methodology (e.g., Climate Proofing or Sustainability Proofing) that needs to be followed and completed, should the investment or project meet certain conditions outlined in the EU level technical guidance (e.g., expected life span of infrastructure in CP). This step represents a crucial consideration, as the application of the DNSH principle and CP are separate and done at different levels (e.g., DNSH in CPF at the level of types of actions, while CP is applicable principally at the investment level). Therefore, the requirement for additional methodology may add complexity to the overall assessment.

Annex C provides an illustrative example of how this ex-ante approach would work in practice for a selected investment type, following through each step and considering each parameter influencing the assessment. The included steps predominantly focus on the ex-ante DNSH assessment and do not include the steps for appraisal, implementation, and decommissioning process, which will be elaborated on in detail in the DLV5.

#### **Link to the existing guidance documents**

The previous sections of the report provided the list of key stages and aspects to take into account and evaluate when applying the DNSH principle to the funds and programmes. The guidelines that will be developed as part of the next deliverable (DLV5) will aim to provide clear instructions with key information on how to sufficiently complete each of the stages considering different parameters and/or scenarios. However, instead of duplicating and re-creating the detailed content already included in the existing DNSH guidelines documents in Czechia or the technical guidance documents at the EU level, the document developed in the DLV5 will aim to directly refer to specific sections of the existing guidance as much as possible. In other words, the document created under the DLV5 will serve as a “skeleton”, providing methodological guidance on the steps to follow for the DNSH assessment (incl. visual elements and decision diagram to guide the users), however, directly linking them to already developed sections in the existing guidance for the content on the specific concepts and topics (e.g. list of the relevant Czech legislation for different environmental objectives, background information on the legislative framework, technical guidance on the CP assessment, etc.) This approach will allow the project team to leverage specific useful sections, while still focusing on improving the clarity, usability and navigation for the steps, needs, and requirements throughout the DNSH application process. The usefulness and clarity of different sections of the existing guidance document will be based on feedback from stakeholders as part of additional consultations in the DLV5.

For instance, the chapter 3 of the framework guidance developed by the MoE provides an overview of the approach to the identification of the DNSH requirements for both the RRF and CPR funds, along with detailed contextual information and main considerations for the DNSH assessment process at both the programme and component level. This section also already outlines the steps of the application of the DNSH, however, due to the lack of visual elements the content may seem text-heavy and thus difficult to follow. Combining the existing content with the methodological step-by-step map developed under the DLV5 would improve the overall clarity of the process. Similarly, the MoE’s document provides detailed and coherent guidance for the CP assessment process. The content on the CP is based directly on the Technical guidance on the climate proofing of infrastructure in the period 2021-2027 (2021/C 373/01) providing step-by-step instructions for key stages in the CP for both climate mitigation and climate adaptation objective, along with visual diagrams, tables and, where applicable, references for relevant resources (e.g. sources with data needed for the analysis of the sensitivity, exposure and vulnerability). The guidance document developed as part of the DLV5 would therefore directly refer to the detailed instructions in the CP section in the MoE’s framework guidance at the Stage 5 (i.e. Interlinkages with CP and SP).

### **3.3 Recommendations for guidelines contents and clarity**

The purpose of the methodological guidance should be to provide clear information on the different stages and steps of the application of the DNSH principle, predominantly focusing on the assessment

and appraisal stage, and providing additional advice on other stages of the project lifecycle process. In order to ensure clarity and ease of use of the guidance document and support the user in the navigation of the process, the structuring of the sections across the document needs to follow pre-set format and be consistent across the document. We recommend following the below approach to structuring and linking the chapters between the existing and newly developed guidance document (DLV5).

#### **Background and explanatory contextual information (e.g. Q&A)**

- **A clear table with an overview of all relevant EU regulations, technical guidance documents, additional complementary working documents** (e.g. Commission explanatory note), along with a brief description of the content, purpose and role of the legislation/documentation, and a direct link to the Czech online version on the websites of the European Commission (or other relevant source) should be provided. This will ensure that the user has all the relevant resources at hand for the remainder of the guidance and has a clearer understanding of the background and legislative context for the application of the DNSH and additional environmental methodologies. The section 2.3 of the framework guidance developed by the MoE already provides a detailed background information for each legislation relevant to the DNSH principle and the CP assessment and thus users would be linked to this section for additional information (in case this is not fully covered in the DLV5 guidance document).
- **A table with key terminology** should be included in the first chapter of the guidance document to mitigate any confusion stemming from the introduction of a variety of new terms. The table should also include all the terms that will be used throughout the document and provide a brief description and the definition for each term, especially when it comes to the DNSH-related terminology, or the roles of entities/individuals and types of documents (i.e., project applicant, project beneficiary programme authority, declaration form etc.). The framework guidance currently includes a short terminology list in the beginning of the document, however, additional information (e.g. brief description) of the concept could be beneficial for the users.

#### **Process guidance**

It is key to maintain the consistency in the format and structure across the document to ensure the logical flow and ease of following. A clear structure providing information for each stage of the lifecycle, in the same format and providing the same style of visual elements should be used throughout the document. The section 4 of the framework guidance follows a set structure consisting of the background to each environmental objective, how the alignment is ensured at the national level, DNSH requirements not covered by the national legislation, and a list of the relevant national legislation. The section already provides relevant content, however, could be expanded with visual elements or decision trees/diagrams to outline the process steps and the interlinkages between the different stages. These aspects would be instead covered in the DLV5 guidance document, directly referring to the section 4 of the framework guidance for more information on the already included information listed above.

- **A visual process map** for the DNSH compliance assessment throughout the project cycle should be included for each fund in scope (RRF, CPF, InvestEU) from the perspective of both the funding authority and beneficiary/project proponent. This map should provide a brief overview of the role, responsibilities (e.g., required actions) and key outputs for both types of stakeholders and indicate

the links between them. The sections of this map (i.e., the different stages of the DNSH application process) would then be elaborated on in detail in the following chapters/sections of the guidance document. A schematic representation of the DNSH application process is currently not included in the existing Czech guidance documents. Adding the process map in the first chapters of the document, even in a simplified form, may improve the users' understanding of the different steps of the assessment, their purpose and the position/order throughout the overall process.

- **Stages of the project lifecycle** (i.e. programme/call design, appraisal/DNSH assessment, procurement process, implementation etc.) - the first part of the section should provide key information about the stage in question, along with clear visual representation of the roles (i.e. governance) of different stakeholders, the linkages between them and the outputs they need to provide and/or produce. The key information should include the purpose, objectives, and position in the timeline. If required, the section may also provide additional information on the definitions and role of each stakeholder (in addition to the terminology table mentioned above), along with an overview of key concept specific for the stage. The focus and detail of the information listed may vary based on the target user of the guidance (i.e., both programme authority and project proponents), however, we recommend including roles and responsibilities of all stakeholders for each target audience to ensure that the users have access to information about the entire context and the process flow of the DNSH application.
- **Specific steps outlined in each the stage** (i.e., *confirmation of fulfilment of DNSH prerequisites, identification of the type of DNSH assessment required for each environmental objective, identification of the specific DNSH requirements*) - Each stage of the DNSH application should be divided into particular steps that need to be followed and completed, along with clear instructions on how to complete it sufficiently. The steps should be elaborated on in detail, clearly indicating the role and the responsibilities of different stakeholders. For each step, where applicable, a decision tree diagram should be included, providing user with a clear path through YES/NO questions and answers and leading them through the process (e.g., similar process to Recommendation 1, leading the user through different parameters that will impact the level and type of the DNSH assessment.) The existing guidance document currently provides process diagrams and decision trees for the CP assessment, however, it needs to be added for the application process for the DNSH. These visual elements would be covered as part of the DLV5 guidance.

### Content guidance

- **Requirements and a checklist.** At the end of each section a checklist should be provided as a helpful tool outlining actions and checks that need to be sufficiently completed in order to move to the following step (e.g., For the environmental objectives for which a DNSH simplified assessment is not sufficient, evidence supporting a DNSH substantive assessment must be requested from applicants). In addition, selected tips on dealing with foreseeable challenges should be included - for instance, the findings identified as part of the DLV2 and the Ad hoc support can be leveraged for the development of the methodological guidance to ensure inclusion of real-life challenges.
- **Evidence documentation list.** The guidance document should include instruction on the development of preliminary evidence list required for demonstration of the DNSH compliance. The list should include the documentation that applicants will need to provide to be eligible for funding during the application process, along with information of when and what documentation/evidence to provide

during the entire life cycle of the project. The purpose of such a list is twofold: 1) it will inform the process internally to understand what type of information funding authorities must collect at what point of the funding cycle to ensure the project complies with DNSH requirements, and 2) it allows applicants to assess whether they comply (and can demonstrate compliance) with the DNSH criteria.

- **Templates.** An easy-to-use template should be provided in the annex for any document or form recommended to include or use in the guidance document. This can be utilised by the programme authorities in the call design and procurement documentations preparation. The current guidance provides an elaborated example for the identification of the DNSH requirements for different activities (e.g. construction of buildings or renovation of existing buildings) at the end of the document. It does not provide templates to use for the developed of the programme specific DNSH-related documentation by the programme authorities. It is important to note that at the time of publishing of this guidance (January 2023), the programme authorities had already created their own documents. Including a set of templates at the end of the document could serve as a useful resource for the programme authorities to adapt their existing templates against, streamline the document (where applicable) and ensure consistency of the documents across the programmes and funds.
  
- **Communication.** It is necessary to provide clear instructions on how the programme authority should communicate the application of the DNSH principle and DNSH requirements in the call documentation to ensure consistency across the programmes/funds. This should entail the format, detail, language and (where possible) position in the specific programme document (e.g., Rules for applicants and beneficiaries - CZ: “Pravidla pro žadatele a příjemce podpory”). The current guidance states the obligation of the programme authorities to include a clear list with the specific DNSH requirements in the programme documentation (e.g. (calls, public procurement, legal acts, rules for applicants, etc.)), instead of transferring the responsibility to identify the DNSH requirements to the applicants. However, the guidance document does not provide further information on the format, language and position of the DNSH requirements in this documentation.



## 4 Conclusion and implications for DLV 5

This deliverable focused on identification of the investment types and investment categories for the funds and programmes in Czechia, in which compliance with the DNSH principle is required. The analysis in the chapter 2 of the report provided an overview of both open and planned investments and interventions at the national level. Based on the findings, there is an evident heterogeneity in the sectors, areas and type of projects, where the EU funds in Czechia are allocated, with a dominance of investments, which may include an infrastructure or construction element and where a substantive DNSH assessment will be required.

Based on the above, as outlined in the first recommendation in the Chapter 3, a stage-based approach was proposed to be used as the basis for the structure of the methodological guidance document, that will be created in the DLV5. This structure, which provides information and guidance on each stage in a step-by-step format can be readily adapted into a decision tree or other visual diagrams, which is key for improved clarity and ease of use - as per the set of suggestions in the second recommendation for guidelines content and clarity.

As recently agreed with DG REFORM and the beneficiaries of this TSI project, the proposed approach is currently being used as part of the pilot testing (DLV7), in order to provide the needed support for the high number of the Ad Hoc consulting requests. This allows the project team to trial the usability and practicality of the approach and then subsequently adapt it for increased efference and applicability for the DLV5.

# Annex A List of programmes' priorities & specific objectives

Programme	Priorities	Specific objective
IROP	Community-led local development SC	Promoting integrated and inclusive social, economic, and environmental local development, culture, natural heritage, sustainable tourism, and security in non-urban areas
	Development of transport infrastructure	Developing and strengthening sustainable, smart, and intermodal national, regional, and local mobility resilient to climate change, including better access to the TEN-T network and cross-border mobility
	Development of urban mobility	Promoting sustainable multi-modal urban mobility in the context of the transition to a carbon neutral economy
	Green infrastructure for cities and municipalities and protection of the population	Promoting climate change adaptation, disaster risk prevention and resilience, considering ecosystem approaches Strengthening the protection and conservation of nature, biodiversity, and green infrastructure, including in urban areas, and reducing all forms of pollution
	Improving public administration performance	Reaping the benefits of digitisation for citizens, businesses, research organisations and public authorities
	Improving the quality and accessibility of social and health services, educational infrastructure and cultural heritage development	Ensuring equitable access to health care and strengthening the resilience of health care systems, including primary care, and supporting the transition from institutional care to family and community-based care Strengthening the role of culture and sustainable tourism in economic development, social inclusion and social innovation Improving equitable access to inclusive and quality education, training and lifelong learning services through the development of accessible infrastructure, including by strengthening resilience for distance and online education and training Promoting the socio-economic inclusion of marginalised communities, low-income households and disadvantaged groups, including people with special needs, through integrated measures, including housing and social services
	Technical assistance	Technical assistance
OP Employment	Material assistance for the poorest people	Address material deprivation by providing food or basic material assistance to the poorest, including children, and provide accompanying measures to promote their social inclusion
	Social inclusion	Strengthen active inclusion, promoting equal opportunities, improving employability (for disadvantaged groups) Increased access to quality, sustainable and affordable housing and personal care services, health care services; social protection children and disadvantaged groups; improving efficiency and resilience of health care systems and long-term care services Promote the socio-economic integration of marginalised communities (e.g. Roma)
	Social innovation	Strengthen active inclusion to promote equal opportunities and improve employability
	The future of work	Improve access to employment and promote inclusion to disadvantaged groups in the labour market Promote improved and equal working conditions Promote the adaptation of workers, enterprises and entrepreneurs to change (focused on improving working environment taking into account health risks) Modernise labour market institutions and services to assess and anticipate skills needs, provide tailored assistance and support to match labour market supply and demand
OP Environment	Adaptation to climate change	Promoting climate change adaptation, disaster risk prevention and resilience, taking into account ecosystem approaches
	Circular economy	Promoting the transition to a resource-efficient circular economy
	Energy efficiency	Promoting energy efficiency and reducing greenhouse gas emissions
	Nature and pollution	Strengthening the protection and conservation of nature, biodiversity and green infrastructure, including in urban areas, and reducing all forms of pollution
	Renewable energy sources	Promote renewable energy in accordance with Directive (EU) 2018/2001, including the sustainability criteria set out in that Directive
	Water supply and sewerage	Promoting access to water and sustainable water management

Fund	Priorities	Specific objective
OP JAK	Education	<p>Improving the quality, inclusiveness, effectiveness and labour market relevance of education and training systems including through validation of non-formal and informal learning, to support acquisition of key competences including entrepreneurial and digital skills, and by promoting the introduction of dual-training</p> <p>Promoting equal access to and completion of quality and inclusive education and training, in particular for disadvantaged groups, from early childhood education and care through general and vocational education and training, to tertiary level, as well as adult education and learning, including facilitating learning mobility for all and accessibility for persons with disabilities.</p> <p>Promote lifelong learning, in particular flexible upskilling and retraining opportunities for all with regard to business and digital skills, better anticipate changes and new skill requirements based on labor market needs, facilitate transitions between jobs and support professional mobility</p> <p>Promoting socio-economic integration of marginalised communities such as Roma people</p> <p>Improving equal access to inclusive and quality services in education, training, and lifelong learning through developing accessible infrastructure, including by fostering resilience for distance and on-line education and training</p>
	ESF+ technical assistance	Ensuring quality management and implementation of the programme
	Research and development	Developing and enhancing research and innovation capacities and deploying
	Research and development	Developing skills for smart specialization, industrial transition, and entrepreneurship
	Technical assistance ERDF	Ensuring quality management and implementation of the programme
OP Just Transition	Circular economy	Strengthening the circular economy (waste prevention, waste reduction, resource efficiency)
	Digital innovation	Developing digital services and solutions in the public and private sectors
	Entrepreneurship	Supporting the business sector and direct job creation
	People and Skills	Preserving employment in business transformation
	Territorial regeneration	Re-use of brownfield sites and related industries including energy and heating
OP TAK	1. Strengthening business performance in research, development and innovation and their digital transformation	<p>1.1 Developing and strengthening research and innovation capacities and introducing advanced technologies</p> <p>1.2 Reaping the benefits of digitisation for citizens, businesses, research organisations and public authorities</p>
	2. SME business development and competitiveness	2.1 Strengthening sustainable growth and competitiveness of SMEs and job creation in SMEs, including through productive investment
	3. Development of digital infrastructure	3.1 Improving digital connectivity
	4. Moving towards a low carbon economy	<p>4.3 Developing smart energy systems, networks and storage outside the TEN-E trans-European energy network</p> <p>4.1 Promoting energy efficiency and reducing emissions of greenhouse gases</p> <p>4.2 Promoting renewable energy in accordance with Directive (EU) 2018/2001, including the sustainability criteria set out in that Directive</p>
	5. More efficient use of resources	5.2 Promoting access to water and sustainable water management
	6. Development of Sustainable Mobility	<p>5.1 Promoting the transition to a resource-efficient circular economy</p> <p>6.1 Promoting sustainable multi-modal urban mobility in the transition to a carbon neutral economy</p>
OP Transport	European, national and regional mobility	Developing a smart, safe, sustainable, and intermodal TEN-T network resilient to climate change, Developing and enhancing sustainable, smart, climate-resilient, and intermodal national, regional and local mobility, including improved access to the TEN-T network and cross-border mobility

National road mobility providing connectivity to the TEN-T network	Developing and strengthening sustainable, smart, climate-resilient and intermodal national, regional and local mobility, including better access to the TEN-T network and cross-border mobility
Sustainable urban mobility and alternative fuels	Promoting sustainable multi-modal urban mobility in the context of the transition to a carbon neutral economy
Technical assistance	Technical assistance

Programme	Priorities	Specific objective
Interreg	Smarter Europe	Research and Innovation capacities, uptake of advanced technologies Digitisation for citizens, companies, research organisations and public authorities Sustainable growth and competitiveness of SMEs and job creation in SMEs, including by productive investments Skills for smart specialisation, industrial transition & entrepreneurship Digital connectivity
	Greener Europe	Energy efficiency and reduction of greenhouse emissions Renewable energy Smart energy systems, grids and storage Climate change adaptation, disaster risk prevention, resilience Access to water and sustainable water management Circular and resource efficient economy Protection and preservation of nature and biodiversity, green infrastructures, pollution reduction Sustainable urban mobility for zero carbon economy
	More social Europe	Effectiveness and inclusiveness of labour market, access to quality employment, social economy Access to education, training and lifelong learning, distance and on-line education and training Inclusion of marginalised communities, low-income households and disadvantaged groups Socio-economic integration of third country nationals, including migrants Equal access to health care, health systems resilience, family-based and community-based care Culture and tourism for economic development, social inclusion, and social innovation
	Europe closer to Citizens	Sustainable integrated territorial development, culture, natural heritage, sustainable tourism, and security (urban areas) Sustainable integrated territorial development, culture, natural heritage, sustainable tourism, and security (other than urban)
	More connected Europe	Climate resilient, intelligent, secure, sustainable, and intermodal TEN-T Sustainable, climate resilient, intelligent, and intermodal national, regional, and local mobility
	Better regional governance	Policy governance
	Digital transformation	Digital services to citizens and businesses Digital public administration systems High capacity digital networks Digital economy and society, innovative start-ups and new technologies Digital transformation of enterprises Acceleration and digitalisation of the building process
RRF	Education and the labour market	Innovation in education in the context of digitalisation Adaptation of school programmes Modernisation of employment services and labour market development
	Institutions and regulation and business support in response to Covid-19	New quasi-equity instruments for the promotion of entrepreneurship and development of Czech-Moravian Guarantee and Development Bank (ČMZRB) as a National Development Bank Anti-corruption reforms Enhancing the efficiency of public administration Development of the cultural and creative sector
	Physical infrastructure and green transition	Sustainable transport Reducing energy consumption in the public sector Transition to cleaner energy sources Clean mobility Building renovation and air protection Nature protection and adaptation to climate change Circular economy, recycling and industrial water Brownfields revitalisation Promotion of biodiversity and fight against drought

Population health and resilience	Increasing resilience of the health system The national plan to strengthen oncological prevention and care
Research, development and innovation	Excellent research and development in the health sector Support for research and development in companies and introduction of innovations into business practice

Programme	Priorities	Specific objective
InvestEU	Sustainable infrastructure	Transport, in particular clean transport modes, multimodal transport, road safety, renewal of rail and road infrastructure Energy, in particular renewable energy, energy efficiency and building renovation projects focused on energy savings Digital connectivity and access including in rural areas Supply and processing of raw materials, space, oceans, water in line with the waste hierarchy and the circular economy Nature and other environment infrastructure Cultural heritage, tourism Equipment, mobile assets and innovative technologies that contribute to the environmental climate resilience or social sustainability objectives of the EU
	Research, innovation and digitalisation	Research, product development and innovation activities Transfer of technologies and research results to the market, supporting market enablers and cooperation between enterprises Demonstration and deployment of innovative solutions and support to scaling up of innovative companies as well as digitisation
	SMEs	Access to and availability of finance primarily for SMEs, including innovative ones and those operating in the cultural and creative sectors Supporting in particular businesses with difficulties of access to finance: start-ups, younger and smaller companies, etc.
	Social investment and skills	Microfinance Social enterprise finance and social economy Measures to promote gender equality skills, education, training and related services Social infrastructure (including health and educational infrastructure and social and student housing) Social innovation, including social impact, impact investing and social outcome contracting Health and long-term care Inclusion and accessibility Cultural and creative activities with a social goal Integration of vulnerable people, including third country nationals

## Annex B Main considerations in the DNSH assessment

Category	Category value	Description
EU fund	Recovery and Resilience Facility (RRF)	A temporary recovery instrument helping implement reforms and investments priorities, established by Regulation (EU) 2021/241.
	InvestEU	A programme supporting sustainable investment, innovation and job creation in Europe, established by Regulation (EU) 2021/523.
	Cohesion policy funds (CPF)	Cohesion Fund (CF) and European Regional Development Fund (ERDF), established by the Regulation (EU) 2021/1058 and (EU) 2021/1060.  Just Transition Fund (JTF), established by Regulation (EU) 2021/1056; European Social Fund Plus (ESF+), established by Regulation (EU) 2021/1057
Sectoral specifics	RRF sectoral specifics - according to the DNSH Technical Guidance, Annex III (2021/C 58/01)	natural gas (NG)-based power and/or heat generation; NG-based generation facilities in district heating/cooling systems; district heating/cooling networks that obtain heat/cool from facilities using NG; NG-based boilers and heating systems (and related distribution infrastructure) transmission and distribution infrastructure of gaseous fuels
	RRF sectoral specifics - according to CID on RRP for Czechia, Annex (COM/2021/431)	R&I activities dedicated to blue and grey hydrogen, incinerators and landfills; R&I activities dedicated to coal, lignite, oil/petroleum, NG not covered by Annex III of the DNSH Technical Guidance; waste landfills; long-term disposal of waste that may cause harm to the environment; activities/assets under the EU ETS achieving projected GHG emissions that are not lower than the relevant benchmarks; waste incinerators, mechanical biological treatment plants; activities/assets related to fossil fuels, including downstream use activities/assets under the EU ETS achieving projected GHG emissions that are not significantly lower than the relevant benchmarks
	InvestEU sectoral specifics - according to Regulation 2021/523, Annex V (B.)	activities which limit individual rights and freedoms or that violate human rights; in the area of defence, the use, development, or production of products and technologies that are prohibited by applicable international law; tobacco-related products and activities; activities excluded from financing pursuant to the relevant provisions of the Horizon Europe Regulation (selected human research areas); gambling; sex trade and related infrastructure, services, and media; financial activities; decommissioning, operation, adaptation, or construction of nuclear power stations real estate development; mining or extraction, processing, distribution, storage or combustion of solid fossil fuels and oil, as well as investments related to the extraction of gas; facilities for the disposal of waste in landfill; mechanical biological treatment (MBT) plants; incinerators for the treatment of waste; activities involving live animals for experimental and scientific purposes
	InvestEU sectoral specifics - according to the Sustainability Proofing Technical Guidance, Article 1.4 (2021/C 280/01)	anaerobic digestion of bio-waste, landfill gas capture and utilisation transport of CO <sub>2</sub> and underground permanent geological storage of CO <sub>2</sub> vessels, vehicles or rolling stock specifically dedicated to transport fossil fuels (rail, water, roads)
	JTF/ERDF/CF specifics - according to Regulations 2021/1057 (Article 9), 2021/1058 (Article 7.1.)	decommissioning or construction of nuclear power stations; manufacturing, processing and marketing of tobacco and tobacco products;
	JTF sectoral specifics - according to Regulation 2021/1057 (Article 9)	production, processing, transport, distribution, storage or combustion of fossil fuels
	CF sectoral specifics - according to Regulation 1300/2013 (Article 2)	investment in housing unless related to the promotion of energy efficiency or renewable energy use;
	ERDF/CF sectoral specifics - according to Regulations 2021/1058 (Article 7.1.)	investment to achieve the reduction of GHG emissions from activities listed in Annex I to Directive 2003/87/EC (ETS Directive) airport infrastructure; disposal of waste in landfill; increasing the capacity of facilities for the treatment of residual waste; production, processing, transport, distribution, storage or combustion of fossil fuels
	Sectoral specifics according to the CP	infrastructure projects fuelled by or carrying fossil fuel

	<i>Technical Guidance, (2021/C 373/01)</i>	
<b>Category</b>	<b>Category value</b>	<b>Description</b>
<b>Assessment levels</b>	Measure	RRF - each measure, i.e. reforms or investments, <i>according to Article 2.1 of the Guidance on the application of DNSH under the RRF Regulation (2021/C 58/01)</i>
	Type of action	CPF - each programme's type of actions, <i>according to the Commission explanatory note on Application of the DNSH principle under cohesion policy from 27/09/2021</i>
	Project	InvestEU - each project, <i>according to Article 1.4 of the Guidance on sustainability proofing (2021/C 280/01)</i>
<b>Assessment type</b>	Simplified	a brief justification to be provided according to Part 1 of the DNSH Checklist in Annex 1 of the DNSH Technical Guidance
	Substantive - DNSH TSC available	a substantive justification needs to be provided according to Part 2 of the DNSH Checklist in Annex 1 + Annex 2 of the DNSH Technical Guidance, (possibly) subject to Technical screening criteria for DNSH
	Substantive - DNSH TSC not available	a substantive justification needs to be provided; an economic activity is not included/described under the EU Taxonomy Climate Delegated Act (Delegated Regulation (EU) 2021/2139).
<b>Interlinkages with climate/sustainability proofing</b>	Independent	for CPF, DNSH and climate/sustainability proofing are separate methodologies
	Recommended	for RRF, climate/sustainability proofing is recommended for DNSH appraisal
	Mandatory	for InvestEU, DNSH application is fully integrated in climate/sustainability proofing

# Annex C Example of application of the recommended approach

Intervention area: Electrification of the railway network  
 Investment category: Infrastructure / Transport  
 Investment type: Construction & development of low-carbon transport infrastructure (e.g. rail, EVs)

Criterion 1	
EU fund:	Recovery and Resilience Facility (RRF)
Implications:	DNSH is applied at the level of measures in the appraisal (ex-ante) to decommissioning phases according to the EU Taxonomy and the Member States' methodology, with climate tagging mandatory for appraisal and sustainability/climate proofing, EIA and SEA recommended.
Criterion 2	
Sectoral specifics:	Electrification of the railway network does not fall within sectoral specifics applicable to RRF funding (i.e. natural gas-based power and/or heat generation; natural gas-based generation facilities in district heating and cooling systems; district heating and cooling networks that obtain heat/cool from facilities using natural gas; natural gas-based boilers and heating systems (and related distribution infrastructure); transmission and distribution infrastructure of gaseous fuels; and sectoral exclusions according to a Council Implementing Decision on the RRF for Czechia (COM/2021/431))
Implications:	No limitations
Criterion 3	
Assessment level:	Measures (reforms/investments)
Implications:	Individual DNSH assessments is to be provided for each measure - reforms / investments (within each component of the plan), DNSH assessment is not to be carried out at the level of the plan or individual components of the plan. The results of the ex-ante screening stage are then used to identify any need for mitigative actions and commitments that will ensure compliance with the DNSH principle at the implementation stage. In the monitoring phase, it should be assured that the mitigative actions are indeed put in place, in line with the Operational Arrangement with the Commission and with the Council Implementing Decision. This may include actions at the decommissioning stage.
Criterion 4	
Assessment type:	Substantive
Implications:	A substantive justification needs to be provided with respect to most environmental objectives according to Part 2 of the DNSH Checklist in Annex 1 + Annex 2 of the DNSH Technical Guidance, subject to Technical screening criteria for DNSH. As the measure substantially contributes to an environmental objective (the infrastructure is not dedicated to the transport of fossil fuels) and is 100% climate tracked under Annex VI of the RRF Regulation, and a brief justification can be provided with respect to the climate mitigation objective.
Criterion 5	
Interlinkages with CP/ SP:	Climate/sustainability proofing is recommended for DNSH appraisal
Implications:	SP and CP can support the DNSH assessment of a measure, by showing that risks have been identified, measured, and mitigated. In particular, the use of CP is recommended to support the DNSH assessment of infrastructure measures, and is supported by dedicated, sectoral guidelines. However, SP and CP cannot substitute DNSH assessments, insofar as the guidelines do not cover the same objectives than the DNSH principle. In case SP and/or CP are used to support the justifications for the DNSH principle at the appraisal stage, any measure required by the SP and/or CP during the implementation and decommissioning stages must be applied to abide by the DNSH principle.



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