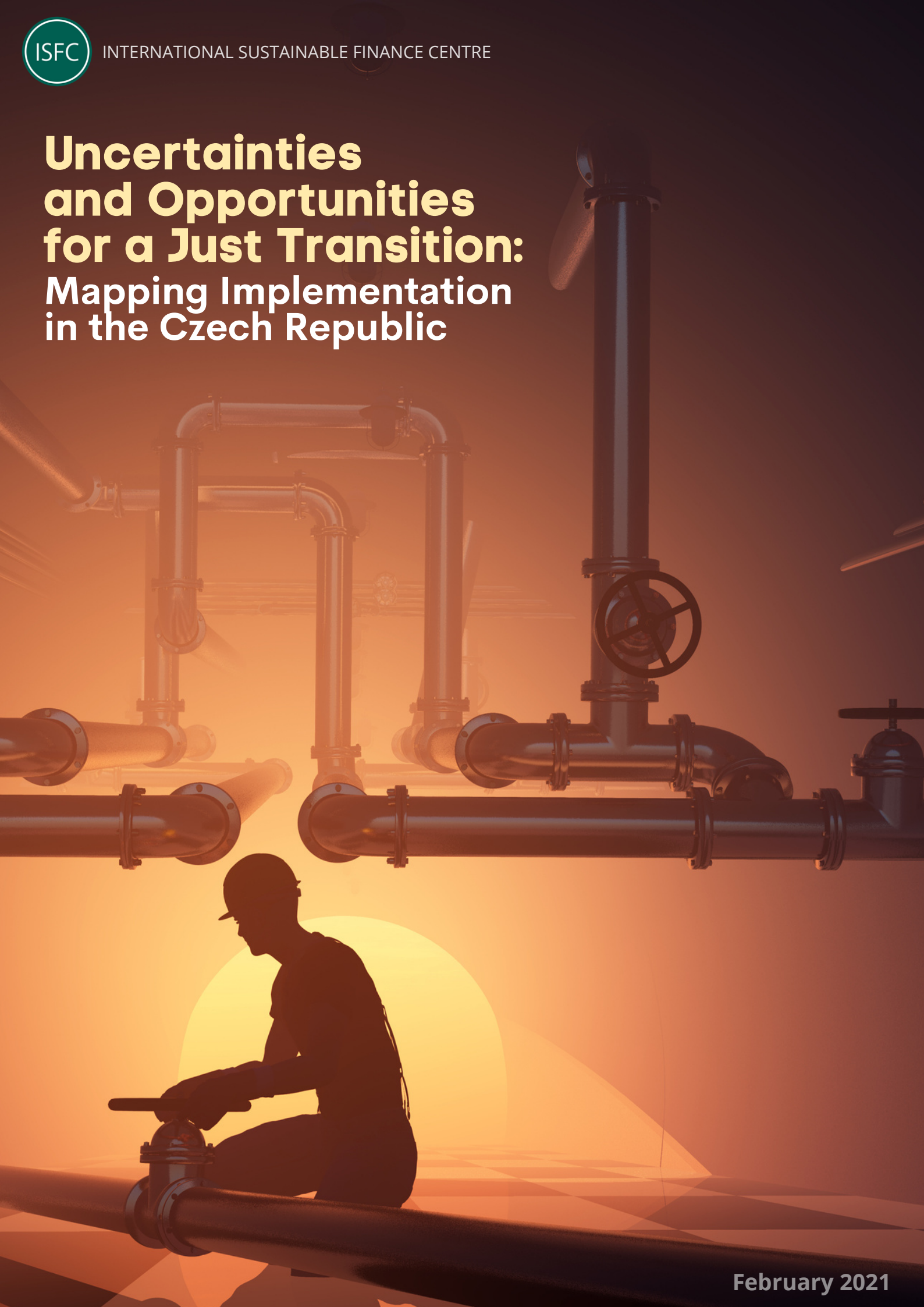




INTERNATIONAL SUSTAINABLE FINANCE CENTRE

Uncertainties and Opportunities for a Just Transition: Mapping Implementation in the Czech Republic



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Written by David Murphy (david.murphy@isfc.org)

With research support from David Němeček (david.nemecek@isfc.org)

Edited by Linda Zeilina (linda.zeilina@isfc.org), **Julián Tóth** (julian.toth@isfc.org)
& Adela Syslová (adela.syslova@isfc.org)

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LIST OF ABBREVIATIONS:

ČMZRB	•	Czech–Moravian Guarantee and Development Bank
DNSH	•	Do No Significant Harm
EIB	•	European Investment Bank
ERDF	•	European Regional Development Fund
ESF+	•	European Social Fund+
ESG	•	Environmental, social, and governance criteria
INEA	•	Innovation and Networks Executive Agency
JTF	•	Just Transition Fund
JTM	•	Just Transition Mechanism
MFF	•	Multiannual Financial Framework
MoE	•	Ministry of the Environment
MoRD	•	Ministry of Regional Development
NCA	•	National Coordination Authority
NECP	•	National Energy and Climate Plans
NGEU	•	Next Generation EU fund
OPST	•	Operational Programme Just Transition
RRF	•	Recovery and Resilience Facility
SMEs	•	Small and medium-sized enterprises
TJTP/PSÚT	•	Territorial Just Transition Plan
TP	•	Transformation Platform

About the ISFC

The **International Sustainable Finance Centre (ISFC)** is an independent, apolitical and impact-driven non-profit organisation whose aim is to carry out in-depth research on sustainable finance topics. The Centre uses expert insight and practical policy solutions to inform public debate and policymaking on sustainable finance, while also helping to build local expertise, networks and capacity on key topics, which include the EU's Green Deal, its Sustainable Finance Agenda and its post-COVID19 recovery packages.

OVERVIEW

This report is the result of a mapping exercise focused on the current design and state of implementation of the **Just Transition Mechanism** in the **Czech Republic** as compared to the European Union framework as established in the Regulation of the European Parliament and the Council establishing the **Just Transition Fund** (the Regulation) and subsequent documents amending the Regulation. It also holds the Czech implementation plan up to the mirror of sustainable finance. Our goal is to provide information and insights into gaps, unresolved issues and inconsistencies in design and provide recommendations as well as to introduce ideas and concepts for a more effective, efficient and impactful just transition.



KEY FINDINGS AND RECOMMENDATION

KEY FINDINGS

- 1** The amount of funding provided through the JTF is not sufficient to meet the needs of the regions. The government and regions should explore and consider additional means of leveraging financing, some of which are offered by the current trends in sustainable markets, such as sovereign and private bonds (green, social) and impact bonds (environmental, social).
- 2** There are fundamental issues that are unresolved in the preparation of Pillars 1, 2 and 3 including:
 - The amount of the overall allocation including voluntary transfers from ERDF and ESF+ in **Pillar 1** as well as the coordination of Pillar 1 investments with investments from the Recovery and resilience facility and other EU funds.
 - The amount and form of technical assistance that will be available in Pillar 1 and 2 especially for SMEs and NGOs.
 - The role of the ČMZR and the EIB in the implementation of **Pillar 2** and what institution will ultimately be responsible for Pillar 2.
 - The overall management structure and distribution mechanisms for the grant and loan mechanisms in **Pillar 3**.

3 Technical support and capacity building from the MoE State Environmental Fund and the regions is essential not only to assure the ability of SMEs and NGOs to utilise the JTF and to promote innovation and entrepreneurship in the regions, but also to assure quality of projects pitched to the pipeline. Without proper technical assistance it will not be possible to fulfil the mandate of the Regulation prioritising SMEs and the pitching of substandard projects can result in problems of absorption capacity. Technical support should include project development.

- Czech regulatory environment is not friendly towards those interested in establishing new businesses, even though impact entrepreneurs might be a precondition for a successful transformation of economy into a new resilient and sustainable model.

4 While there is coordination and cooperation at the national and regional levels and the TJTP based on the transition stories of the regions creates a certain amount of cohesion, there is no overarching sustainable investment strategy or framework for the implementation of the JTM and related funds.

5 Processes at the national and regional level will very likely be delayed by the postponement of negotiations at the European Commission and other EU institutions. This will most seriously impact the design and implementation of Pillars 2 and 3.

RECOMMENDATIONS: IMPLEMENTATION

- The Ministries involved should resolve and provide information about outstanding issues including total allocation to the JTF based on agreed voluntary contributions from the ERDF and ESF+, coordination of the JTF and other EU funds the management structure and implementation mechanisms for Pillar 2 and 3
 - Scenarios for the role of the ČMZRБ should be developed regardless of delays at the EU level due to the Commission failing to create a mandate for the EIB to develop Pillars 2 and 3.
 - The MoE and Regional Authorities should prioritize and clarify the scope and means of providing technical assistance through Pillar 1. This should focus on SMEs and NGOs to ensure diversity of investment and support for entrepreneurship and innovation. They should also assist in development of strategic projects to avoid problems of absorption capacity.
 - Implementing authorities should create a sustainable investment strategy and integrate principles and practices of sustainable finance including the EU Taxonomy and analyses and assessment of impact, costs and benefits for evidence-based prioritisation.
 - The project selection process at the regional level should be transparently communicated with the general public, both in terms of criteria and in terms of selected projects.
-

RECOMMENDATIONS: IMPACT

- The Czech government should adopt green bond standards in order to explore the possibilities of utilizing sustainability bonds, impact bonds and just transition bonds as well as facilitate the establishment of responsible investor platforms to leverage additional financing for the just transition.
- Considering the amount of funding available through the JTM and the RRF as well as other EU funds, the government should consider tax incentives for venture capital, cutting red tape, digitalization of processes and streamlining of regulations to foster investment in innovation and entrepreneurship. This would increase transformational capacities of the economy (employment absorption, innovation etc.) in the long-term.
- The regions should actively encourage participation of SMEs and NGOs through their stakeholder engagement strategies.
- Regional and local authorities should receive both theoretical and practical training in sustainable finance to integrate the principles and practices into their planning and prioritisation.
- The Transformation Platform and other such committees should be introduced to and promote concepts of sustainable finance including ESG, DNSH principle, impact assessment and cost-benefit analysis.

"The green transition will only be successful if everyone benefits from it."

Elisa Ferreira,
*EU Commissioner for
Cohesion and Reforms*



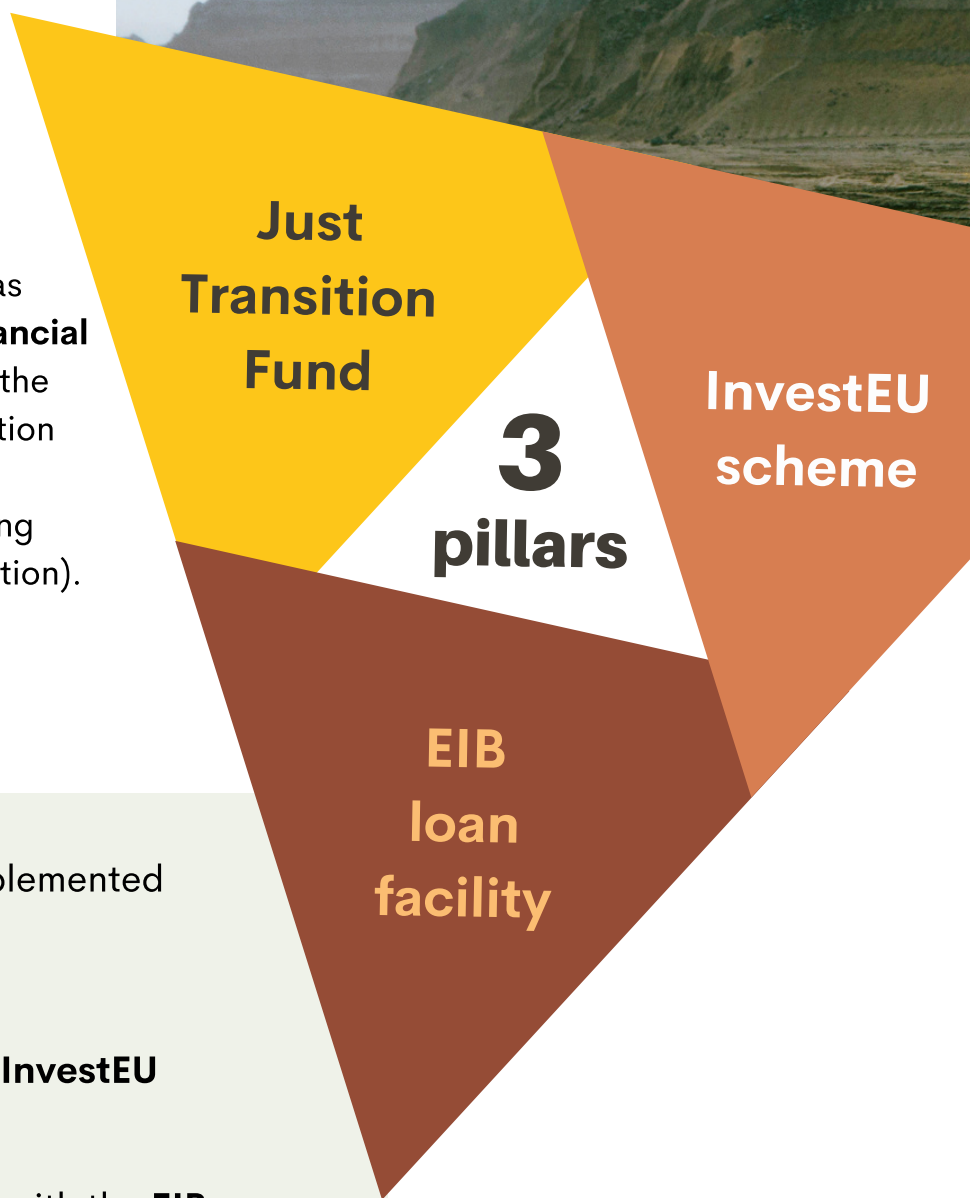
EU GUIDANCE FOR IMPLEMENTATION OF THE JUST TRANSITION MECHANISM

STRUCTURE OF THE JTM

The **Just Transition Mechanism** was created under the **Multiannual Financial Framework** 2021 – 2027 as part of the European Green Deal through adoption of The Regulation of the European Parliament of the Council establishing the Just Transition Fund (the Regulation).

It consists of **three pillars**:

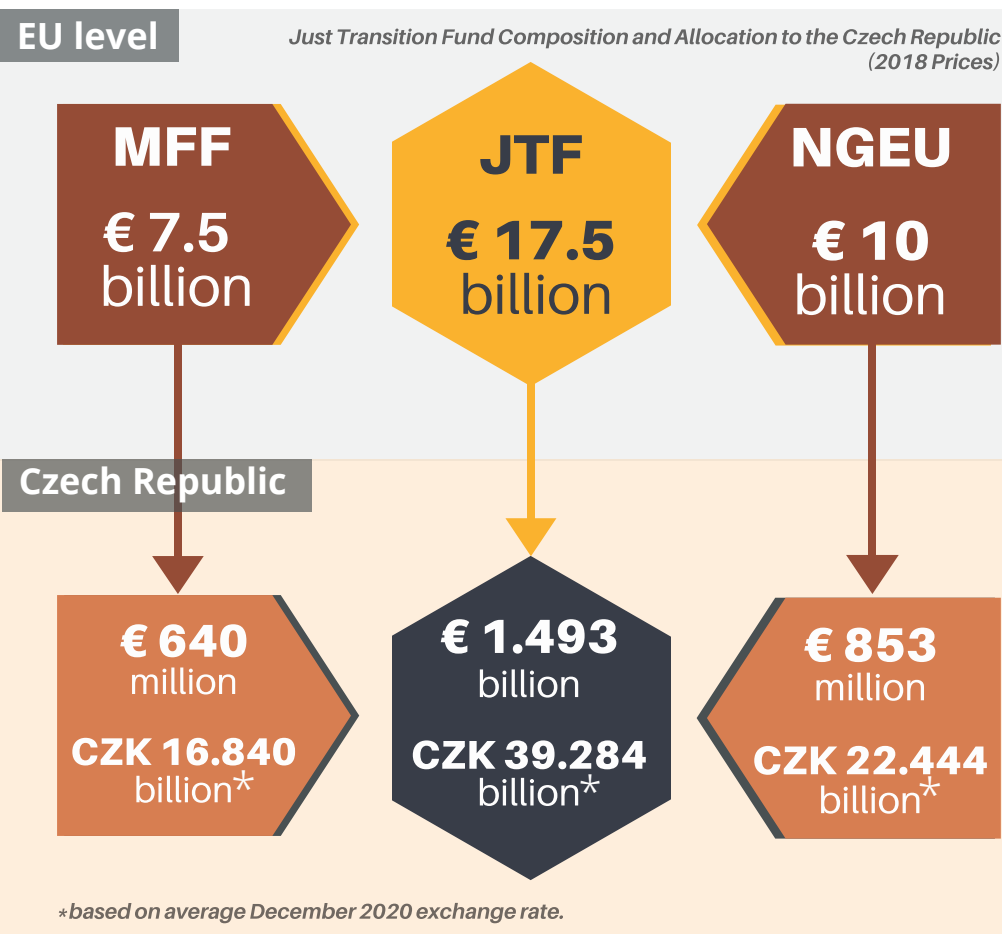
- 1 a **Just Transition Fund** implemented under shared management
- 2 a dedicated scheme under **InvestEU**
- 3 a public sector loan facility with the **EIB Group** to mobilise additional investments to regions concerned



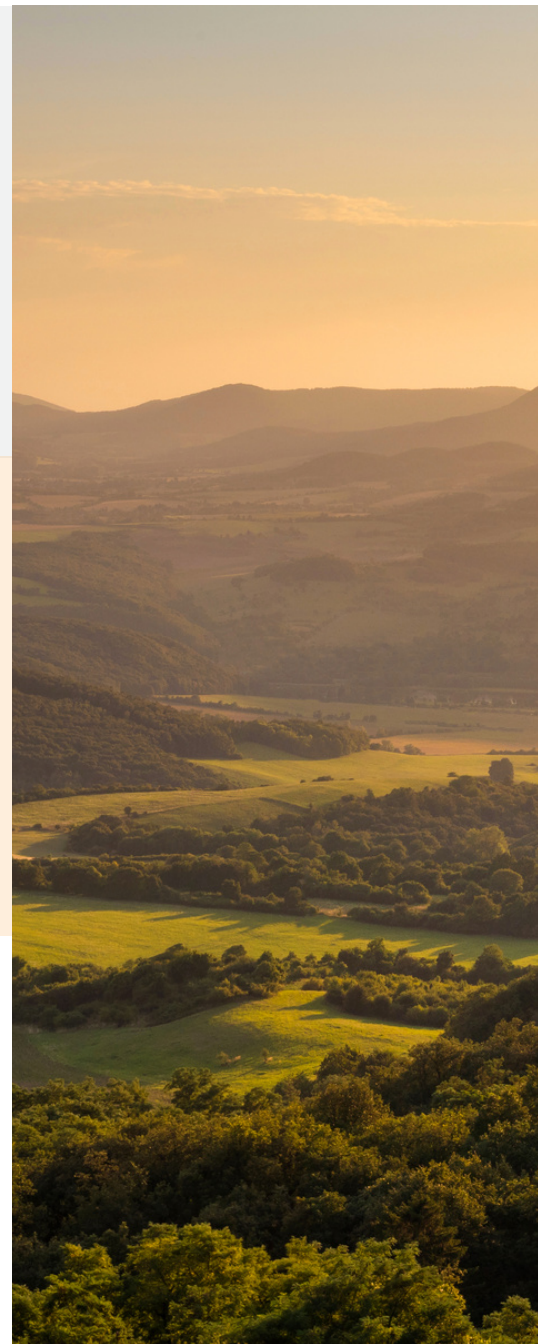
PILLAR 1

The **Just Transition Fund** is comprised of funding directly from the **Multiannual Financial Framework** and **Next Generation EU fund**.

The JTF is the main grant mechanism of the JTM. On top of the amounts below, Member States can also make voluntary transfers from the European Regional Development Fund and the European Social Fund+ to top up the JTF allocation that should not exceed three times the amount of support from the JTF (European Commission). National co-financing obligations are in line with cohesion policy rules (15% for the Czech Republic)



The overall funding period of the Just Transition Fund is for the years 2021–2029. The first round of MFF funding is earmarked for the contracting period of 2021 – 2023. The second round will be contracted from 2024 to 2027. The Next Generation EU funding is only available from 2021 – 2024. This means it can only be used to cover previously committed amounts over the period 2025–2027.



PILLAR 2

Pillar 2 is a dedicated just transition scheme under InvestEU designed for investment, innovation and job creation, using the European Fund for Strategic Investments and 13 EU financial instruments. While there are no dedicated funds for individual Member States as in Pillar 1, EU Invest funds are used as a guarantee to scale up existing projects or investments by private and public sector entities. Pillar 2 will be implemented in cooperation with InvestEU implementing partners (e.g. the European Investment Bank Group or national promotional banks or institutions). Currently, the EIB is still waiting for a mandate from the European Commission to actively participate in the preparation of Pillars 2 and 3. This should be resolved during the first half of 2021.

PILLAR 3

Pillar 3 is a public sector loan facility that will be jointly implemented by the Commission and the European Investment Bank. It consists of:

A **grant component** worth €1.525 billion from the EU budget directly managed by the Commission and the Innovation and Networks Executive Agency

A **loan component** of up to €10 billion from the European Investment Bank's own sources

The facility, which is expected to mobilise between €25 and €30 billions of public investment will support projects through calls for proposals that:

- **benefit territories identified in an approved territorial just transition plan**
- **receive an EIB loan under the facility**
- **and do not generate sufficient market revenue streams**

Investment areas for public sector legal entities will include energy and transport infrastructure, district heating networks, public transport, energy efficiency measures and social infrastructure, and other projects that can directly benefit the communities in the affected regions and reduce the socio-economic costs of the transition towards a climate-neutral Europe by 2050. 2 Allocations of the grant mechanism, which should make up no more than 20% of the total support provided, will be based on the same methodology as in Pillar 1.

Allocation for the Czech Republic is an additional €179 million (approximately CZK 4.71 billion*). These national shares will be allocated up until 31 December 2024, beyond which all EU resources for the grant component will be made available to any project on a competitive basis with no national allocations.

TERRITORIAL JUST TRANSITION PLANS

In order to access the JTM, EU Member States will produce and submit together with the relevant authorities of the territories concerned Territorial Just Transition Plans to the European Commission during Q1 2021. These plans provide an outline of the transition process to a climate-neutral economy until 2050 and need to be consistent with the National Energy and Climate Plans and **the EU objective of climate neutrality by 2050** (see details [here](#)).

The JTM is subject to the European Code of Conduct on Partnership and based on a Partnership Agreement with the European Commission that encourages the widest possible range of stakeholders to participate from the beginning to the end of the process. Stakeholders and participants in the creation of the TJTPs are determined by the Member States. The TJTPs should also be updated and re-adopted when necessary, notably in case of an update of the NECPs. Support for the development of these plans will be provided by DG REFORM including templates and technical assistance. In addition, the InvestEU Advisory Hub, including Jaspers (a joint Commission-EIB initiative for project development under the Structural Funds) will provide support for the preparation of the project pipeline.

WHO AND WHAT IS ELIGIBLE FOR FUNDING?

In Article 4, the Regulation emphasizes productive investments in SMEs, including start-ups and new firms, research and innovation, development of clean energy and energy efficiency, digitalization, land restoration, the circular economy, upskilling and reskilling of workers, support for job seekers and technical assistance. However, it also allows productive investments in enterprises other than SMEs, provided that such investments have been approved as part of the territorial just transition plan and lead to significant emission reductions and job protection.

Just Transition funding **will not support** fossil fuels (including fossil gas), the decommissioning or construction of nuclear power plants or production or marketing of tobacco products.



THE JUST TRANSITION MECHANISM AND SUSTAINABLE FINANCE

SUSTAINABLE FINANCE

Sustainable finance generally refers to the process of taking due account of **environmental, social and governance (ESG)** considerations when making investment decisions in the financial sector, leading to increased longer-term investments into sustainable economic activities and projects. The most important benefit when investing sustainably is that investments not only provide a financial return but at the same time contribute to supporting a sustainable economy. Gradually, sustainable finance principles are being applied also to the public finance, through various regulations and policy initiatives (such as the EU Taxonomy).



The JTM at the level of the European Union is firmly based on the current EU sustainable finance strategy, a major pillar of which is the Sustainable Finance Taxonomy Regulation which came into force in 2020 and will apply in practice from January 1, 2022 and defines Environmental, Social and Governance criteria for sustainable investment. The intent of the Commission to adopt principles of sustainable finance is clear as Mairead McGuinness, Commissioner for Financial Services, wrote in EURACTIV in 2020, "We need a complete rethink. Sustainable finance needs to become mainstream to have a transformative impact on society and on the planet, while also generating strong returns."

Regarding ESGs, the positive environmental and social impact is clearly outlined in the Regulation and is especially evident in Pillar 1. According to the EC, for Pillar 2 and Pillar 3, InvestEU and the EIB will also play an important role in promoting sustainability practices among public and private financiers and project promoters, by setting standards for tracking climate-related investments and assessing the environmental and social impact of projects. Governance issues and stakeholder engagement is guaranteed through the Partnership Agreement based on the European Code of Conduct on Partnership as well as other commitments for reporting.

IMPLEMENTATION OF THE JTM AT THE NATIONAL LEVEL

Czech authorities are responsible to translate the JTM as defined in the Regulation and related documents into a workable framework. The main institutions involved at the national level are the Ministries of the Environment and the Regional Development as well as two collective bodies: the Transformation Platform and the National Coordination Authority.

PILLAR 1

Pillar 1 is managed by the Ministry of the Environment, through the Operational Programme Just Transition - **Operační program spravedlivé transformace**. The OPST will be operated by the State Fund for the Environment, an established grant making institution well equipped to distribute EU funding. Currently, there are three distribution mechanisms under consideration:

- **direct funding to Strategic Projects of the regions**
- **grant schemes**
- **open calls**

Strategic Projects

must be included in the TJTP, meet strict EU criteria and are defined by Czech authorities as regional or supra-regional in scope or impact and focused on job creation or retainment. Strategic Projects are chosen by the regions and discussed with the MoRD and the MoE. The MoE has indicated that large companies in the regions can be funded through the Strategic Projects funding mechanism.

Grant schemes

will not be administrated by the MoE but by other entities (e.g. Labor Offices, Regional Authorities) who will distribute funding to recipients.

Open calls

will be administrated and distributed directly by the State Environmental Fund of the MoE. The Ministry plans to provide a limited amount of technical assistance to applicants, especially for longer-term projects like recultivation of former mines and for potential applicants who need assistance in preparation of projects. The State Fund for the Environment has increased capacity to deal with the additional work created through the administration of the JTF.



The MoE calculates the total amount to be distributed through Pillar 1 from 2021-2027 at €1,645 or approximately CZK 42 billion at current prices. However, the MoE and the MoRD have not yet agreed the voluntary contributions to the JTF from the ERDF and the ESF+ in light of the proposals of the European Parliament regarding conditional access to resources and the creation of a "Green Rewarding Mechanism", leaving unresolved the overall allocation.

Presumed Basic JTF Financial Framework

Czech Republic Allocations	Constant prices (in million €)	Current prices (in million €)
Total JTF	1493	1645
Multiannual Fin. Framework	640	721
Next Generation EU	853	923



PILLAR 2

Pillar 2 means of implementation is currently unclear. There are several options for joint management by the Czech-Moravian Guarantee and Development Bank (Česko-moravská záruční a rozvojová banka, ČMZRB) and the European Investment Bank.

However, the MoRD is responsible that a viable management arrangement is agreed upon and put in place. There is a proposal that once an agreement is in place, administration of Pillar 2 would be handled by the Ministry of Industry and Trade.

The distribution mechanism has also not been determined but the options include direct financing either through the EIB or the ČMZRB or both of these institutions providing instruments such as guarantees.

PILLAR 3

Pillar 3, implementation is also unclear. Currently, the MoRD is negotiating how the pillar should work in the Czech Republic. The Pillar should be jointly managed by the European Investment Bank in cooperation with the Czech government. As stated above, grants will be managed directly by INEA, while loans will be provided by the EIB.

DELAYS IN PREPARATION

While the governance aspects of Pillars 2 and 3 are being developed, the practical management structures are unclear due to a delay approval from the European Commission of a mandate for the EIB to actively engage in the preparation of the Pillars 2 and 3. One issue that is still being resolved is the calculation of the grant elements in order to meet the mandatory percentage of total project allocation. The Czech Republic qualifies for the 20% grant contribution, but conditions for the loan mechanism need to be established favourably to ensure absorption capacity.

THE TERRITORIAL JUST TRANSITION PLAN PLÁN PRO SPRAVEDLIVOU ÚZEMNÍ TRANSFORMACI

The TJTP/PSÚT is managed by the Ministry of Regional Development. The Ministry established the **Transformation Platform - Transformační platforma**, an expert working group responsible for setting up participatory preparation of the TJTP, collecting and submitting of the typology of just transition projects (i.e. management of the "Project Pipeline") and providing space for discussion and negotiation about both the content and the process of just transition. A key element of the TJTP is each region's "transformation story", which details what they want to do, how it will help transform the region and what will be the impact. Projects need to fit into the transformation story to be considered for support. The MoE is determining a methodology to determine the allocations per region. While the overall scope of Pillar 1 is clear apart from the voluntary top-up funding and provision of technical assistance, Pillars 2 and 3 are far less prepared.



THE TRANSITION PLATFORM

consists of representatives of eight Ministries including the MoE and the MoRD, the Government Office, trade unions, regional authorities and representatives of the Councils of Economic and Social Agreement of the three regions the Czech Chamber of Commerce, CzechInvest the state business and investment development agency as well as representatives of the civic sector among others.

AREAS OF FUNDING AND ELIGIBLE RECIPIENTS

According to the MoE, the main areas for investment through Pillar 1 are support for Small and Medium Enterprises, science and research, clean energy, digitalization, decontamination and cultivation, support for the circular economy, active politics and employment. At a meeting in December the Platform and the MoRD proposed expanding areas of support to include decarbonization of urban mobility, education and social inclusion and culture and "Coal heritage". An ideal project should combine environmental solutions, restructuring of the economy and creation of employment opportunities. Pillar 2 loans are targeted at private institutions and blended funding under Pillar 3 loans will be available to public institutions that meet IEB criteria as stated above. The only information about target areas of funding for Pillars 2 and 3 is provided by the EU guidelines. Information about national and regional priorities is not available.

PROJECT PITCHING, ASSESSMENT AND SELECTION PROCESS

Regional authorities have established online platforms for pitching projects and provision of technical support. They also offer regular webinars to inform companies and organisations about availability and conditions of just transition funding. According to available information, each region is designing its own project assessment and selection process. While they differ, they should be based on a combination of methodologies established by Integrated Territorial Investment, JASPERS and RE:START. The two main criteria for project selection are their transformational potential (impact) and preparedness (absorption capacity). Regional Authorities establish selection committees to approve projects for the pipeline. At the national level, projects put forward by the regions should be approved through the Transformation Platform. At the EU level, the assessment projects will be the responsibility of the European Commission through DG REGIO. The process is therefore dependent on close communication and cooperation between regional, national and EU institutions.



JTF AND TECHNICAL ASSISTANCE FOR PROJECTS

There are concerns that small organizations and particularly SMEs will be disadvantaged in accessing funding due to the structure of the funding mechanism in Pillar 1: Next Generation EU funding, 57% of the total funding, must be contracted by 2024, which can place emphasis on absorption capacity. The Operational Programme of the State Fund for Environment will provide technical assistance for open calls and strategic projects, but only for selected topics covered by the operational program and determined by the MoE. Technical assistance should result in projects that fulfill EU criteria for investment and it can finance project preparation from early stages to issuance of necessary permits. Regarding Pillar 2, it is unclear how the ČMZR and the EIB plan to proceed. Project preparation is a standard eligible cost at a flat rate of 5 % of the cost of the project. The MoE is also considering outsourcing to business hubs, incubators, public agencies, or other entities that can provide technical assistance for SMEs or small municipalities.

CASE STUDY:

ÚSTÍ REGION PROJECT PIPELINE

The just transition agenda in the Ústí region is managed by the Regional Authority (Krajský úřad Ústeckého kraje) in cooperation with the Permanent Regional Conference of the Usti Region, a multi-stakeholder body. The Authority has been accepting project applications since June 2020 and as of December 10 had **190 projects totalling CZK 278 bn** in the pipeline (Ústecký kraj). The majority of project proposals have been submitted by large companies and research organisations. However, there are concerns about the quality of projects creating limited absorption capacity.

Projects are divided into 6 thematic pillars as follows:



THE CZECH JTM

IMPLEMENTATION

FROM THE PERSPECTIVE OF

SUSTAINABLE FINANCE

PRINCIPLES

Principles of sustainable finance are embedded in the framework of the JTM as defined in the Regulation and implementation of the JTM by ministries and Regional Authorities is in line with the Regulation. The parties involved have made efforts to ensure transparency in the creation of their transformation stories and express the will for transparency in the selection and evaluation processes of projects to the pipeline. However, discussions of the Transformation Platform are not a matter of public record. Most importantly, there is no overarching sustainable investment strategy or framework for the implementation of the JTM. As a result, ministries do not have a mandate or capacity to promote or actively integrate principles and practices of sustainable finance into their work and the regional authorities lack practical and theoretical expertise in the area. As a starting point, the implementing Ministries should apply the EU Taxonomy as it is a proven climate tracking tool for selection and evaluation of projects as well as the Do No Significant Harm principle, a cornerstone of the EU Green Deal.

PRACTICES

The JTM presents a unique opportunity to finance necessary and essential transitions that connect social and environmental dimensions of change, while building climate resilience and sustainability into the Czech economy. There is, however, one caveat; all parties involved agree that the financing is not sufficient to meet the needs of the regions. The current estimated financial investment necessary for prepared projects from the regions (**CZK 448 billion**) is more than ten times the amount available through the JTF (**CZK 42 billion**). Furthermore, a just transition of the most economically, socially and environmental challenged regions in the country will not be achieved by the end of the MFF in 2027. The use of innovative sustainable finance principles and instruments can have two positive impacts. First, they can guide the spending choices in a way that minimises future risks and maximises cost-efficiency and, second, they can help raise additional funds through the deployment of innovative financial instruments and attracting responsible and impact investors.

IMPACT AND RESPONSIBLE INVESTORS

are interested not only in generating financial returns but also aiming to generate specific beneficial social or environmental outcomes.



Creating a sustainable investment strategy and incorporating ESG criteria in the implementation of the JTM can both add value and minimise risks (e.g., physical, transitional or demographic risks). Sustainable public spending implies efficient management of costs related to various risks. The coal regions have rates of long-term unemployment above the national average, the transition of the energy industry can exacerbate this problem and related social problems. By screening projects through the ESG lens and testing instruments mentioned above regional authorities can more effectively address these issues. In general, as ESG investing becomes the norm in Europe, investors will increasingly seek sustainable and resilient investments. The Czech Republic has aging demographics, which will require increasing pension expenditures. If pension funds are invested in unsustainable businesses, lower returns and greater pension pay-outs can create fiscal problems.

Pillars 2 & 3 offer an opportunity to pilot and implement new market-based finance instruments such as sovereign and private sustainability bonds (e.g. Green Bonds or Social Bonds) or Impact Bonds (e.g. Social or Environmental). These instruments are not without risk, but they are being used increasingly in both the developed and developing world to address environmental and social problems and support innovation and entrepreneurship. Sustainability bonds are a type of a fixed-income debt instrument that is specifically earmarked to raise money for environmental (green bonds) or social (social bonds) projects. These bonds are typically asset-linked and backed by the issuing entity's balance sheet ([Segal, Investopedia](#)). In 2019, the green bond market grew globally with US\$231bn in issuance. In 2016, Poland launched a green bond valued at €750 million with investments going to help achieve Poland's National Renewable Energy Action Plan. Last year, Hungary also launched its inaugural €1.5bn 15-year green bond, with interest rate of 1.75%, had been subscribed at €7.5bn by 345 investors. The Hungarian central bank has also started a process to plan a sustainable capital markets strategy that is backed by the European Bank for Reconstruction and Development ([Asset News](#)).

IMPACT BONDS are not classic bonds, but rather multi-stakeholder contracts designed to raise private capital to solve a specific environmental or social problem. Financial return of the investment is tied directly to the success of the project or projects funded. These instruments can help finance solutions for the many social issues of the undeveloped coal regions as well as finance necessary green infrastructure while distributing risk.

The Czech government and Czech National Bank should explore the possibilities of designing sovereign just transition and sustainability bonds. A good example and a source of inspiration for how this can be done can be found in France. The framework developed by Caisse des Dépôts for its green, social and sustainability bonds is ready-made for the just transition, starting the shift towards a resilient, low-carbon and respectful of the biodiversity economic model "must be fair between all citizens" ([Robins, LSE](#); [Climate Bonds Initiative](#)). To create the necessary platform for the issuance of sovereign sustainability bonds, the Czech government should develop its own or adapt existing green bond standards. Good inspiration here is the German state of North Rhine Westphalia that has developed a sustainability strategy incorporating a Sustainability Bond Framework ([nachhaltigkeit.nrw](#)). Public authorities could use the experience of established expert organisations in the field such as the Climate Bonds Initiative.

To build the demand side of investment market, sustainability projects and investors could be brought together under responsible investors' platforms. These would facilitate sharing experience and knowledge among various investors and connect them to specific projects and existing issued instruments. Respective public and private institutions should support such initiatives following the good example of German and French collaboration with [2° Investing Initiative](#).

Furthermore, the implementation of sustainable finance principles can go hand in hand with impact entrepreneurship. Pillars 1 and 2 will provide the necessary financing to jump start new innovative businesses through the support of SMEs and start-ups. It can also spark or support new types of entrepreneurship, such as impact entrepreneurship in the Czech Republic. The key to fostering innovation and entrepreneurship is an innovation friendly regulatory framework for SMEs and start-ups. The JTM as well as other EU funding mechanisms like the Recovery and Resilience Facility provide an opportunity to consider tax incentives for venture capital, cutting red tape, digitalization of processes and streamline regulations to foster investment in these areas.



THE JTM IS AN OPPORTUNITY

to try 21st century solutions instead of 19th century approaches. The needs are great, and the funding is limited. There are a myriad of new financial instruments and approaches that should be considered by all actors and stakeholders to maximize the impact and efficiency of the JTM. These approaches also need to complement the country's overall strategy for economic development and growth.

CONCLUSIONS

Preparation of the JTM at the EU level is not ready and most likely will not be completed by the end of Q1 2021 as planned, especially Pillars 2 and 3, which may not be operational until Q3 2021 at the earliest. Regardless of delays at the EU level, Czech authorities should continue to create implementation scenarios with the ČMZR, and eventually EIB and the Ministry of Industry and Trade, for Pillar 2. Responsible Ministries should agree on the voluntary contributions from the ERDF and ESF+, so that the total allocation is clear. This is essential, since the total available allocation of the JTF is insufficient to meet the needs of the regions. Ways to mobilise alternative financial resources, especially private, should be explored to make up the funding gap. It is also evident that many smaller entities such as SMEs and NGOs will need technical assistance to utilize the JTM. Assuring the provision of such assistance should be a priority for the Transition Platform and Regional Authorities. While the TJTP provides a framework for the regions and is based on existing strategic development plans for the regions, an overarching sustainable investment strategy at the national level, based on examples from Hungary and Poland, would give greater cohesion to green investments and transformation of the Czech economy to carbon neutrality.



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