**Just Transition Fund — Strategic Project Proposal Assessment**

*(Assessment reporting on relevant information provided in the project documentation)*

**Project details**

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| *Project name* | Reconstruction and modernisation of the Central Industrial School of Ceramics and glass Karlovy Vary |
| *Beneficiary* | Karlovarský region |
| *Estimated cost* | CZK 680 000 000 (EUR 26.5m) |
| *Estimated timeline for implementation* | 2021-2025 |
| *Location* | Rybár |
| *Region* | Karlovy Vary |

**Project Description**

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| The project concerns renovation and modernization of the educational facilities of the Central Industrial School of Ceramic and Glass (“the School”) in Karlovy Vary. The renovation will complement the historical secondary school building with a new building that will be structurally linked to the existing building. This building complex will be used for educational, cultural, research and community purposes. In addition, it will host two galleries managed by the School (permanent collections and current exhibitions), a cafeteria, a library and a multi-functional hall for lectures, theatre, concerts, cinema, and conferences. Besides the Central Industrial School of Ceramic and Glass, the new facilities will be used by Cultural and Creative Industries (Centre of Arts and Design) and Karlovarské Innovation Centre (KIC) for their own events. The premises will be open to school pupils and the general public as well.  The project has synergy with the Cultural and Creative Industries project, which will create an art and design centre on the premises and together these projects will support the region’s transformation to higher value-added creative industries. The link with the Karlovarské Innovation Centre (KIC) project consists of the implementation of activities linked to the RIS3 objectives, namely improving regional innovation performance and competitiveness, e.g. by creating start-ups. In addition, several Czech universities have signaled their interest in the project with LoIs. |

**Project Eligibility**

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| **Alignment with Article 2: the Specific Objective of the JTF**  ***“****the JTF shall contribute to the single specific objective of enabling regions and people to address the social, employment, economic and environmental impacts of the transition towards the Union’s 2030 targets for energy and climate and a climate-neutral economy of the Union by 2050, based on the Paris Agreement.”* |
| The ultimate goal of the project is to develop sectors traditional in the region by providing more and better education, offering life-long learning for the local workforce in the sector, and acting as a meeting place to increase the attractiveness and liveability of the area. The project will facilitate local education combined with opportunities to remain in the region after graduation and up-and reskilling of the current workforce. The project provides professional qualifications meeting the needs of the local firms for people with jobs at risk. The project will also contribute to the development of environmentally friendly technologies for ceramics and glass production together with regional universities and leading firms. The education offer will be widened to cover fields adjacent to glass and ceramics, including new disciplines focusing on design, multimedia, ecology and environment, and chemistry. Providing the latest technological knowledge through education and training, the project will increase the innovation potential of the local firms, support their move towards more specialty, small-batch and higher value-added products. Therefore, the project will benefit directly businesses that already exist in the region.  Part of the education and training will be planned and executed in cooperation with local firms in order to respond to their needs. One of the goals is to support the glass and ceramics firms to move towards more environmentally friendly products and processes by bringing new technologies, innovations and circular practices into the firms’ toolboxes. Therefore, the project is expected to contribute to sustainable development in the sector and the region.  The sustainability aspect in the renovation and construction will be accounted for by building according to the principles of sustainable construction. The School is accessible by local public transport. |

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| **Alignment with Article 8: Scope of support**  ***“****The JTF shall only support activities that are directly linked to its specific objective as set out in Article 2 and which contribute to the implementation of the territorial just transition plans established in accordance with Article 11.****”*** |
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| Project correspondence to the eligible activities:  productive investments in SMEs, including microenterprises and start-ups, leading to economic diversification, modernisation and reconversion;  investments in the creation of new firms, including through business incubators and consulting services, leading to job creation;  investments in research and innovation activities, including by universities and public research institutions, and fostering the transfer of advanced technologies;  investments in the deployment of technology as well as in systems and infrastructures for affordable clean energy, including energy storage technologies, and in greenhouse gas emission reduction;  investments in renewable energy in accordance with the Renewable Energy Directive (EU) 2018/2001 , including the sustainability criteria set out therein, and in energy efficiency, including for the purposes of reducing energy poverty;  investments in smart and sustainable local mobility, including decarbonisation of the local transport sector and its infrastructure;  investments in rehabilitation and upgrade of district heating networks with a view to improving energy efficiency of district heating systems and investments in heat production provided that they are supplied exclusively by renewable energy sources;  investments in digitalisation, digital innovation and digital connectivity;  investments in regeneration and decontamination of brownfield sites, land restoration and including where necessary green infrastructure and repurposing projects, taking into account the ‘polluter pays’ principle;  investments in enhancing the circular economy, including through waste prevention, reduction, resource efficiency, reuse, repair and recycling;  upskilling and reskilling of workers and jobseekers;  job-search assistance to jobseekers;  active inclusion of jobseekers;  technical assistance;  other activities in the areas of education and social inclusion including, where duly justified, infrastructure for the purposes of training centres, child and elderly care facilities as indicated in the territorial just transition plans in accordance with Article 11 of the Just Transition Fund regulation. |

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| **Alignment with requirements of Articles 8 and 11 for non-SME productive investments**  ***Article 8 “****the JTF may support, in areas designated as assisted areas for the purposes of points (a) and (c) of Article 107(3) TFEU, productive investments in enterprises other than SMEs, provided that such investments have been approved as part of the territorial just transition plan based on the information required under point (h) of Article 11(2) of this Regulation. Such investments shall only be eligible where they are necessary for the implementation of the territorial just transition plan, where they contribute to the transition to a climate-neutral economy of the Union by 2050 and to achieving related environmental targets, where their support is necessary for job creation in the identified territory, and where they do not lead to relocation as defined in point (27) of Article 2 of Regulation (EU) 2021/1060..****”***  ***Article 11(2)(h) “****where support is provided to productive investments to enterprises other than SMEs, an exhaustive list of such operations and enterprises and a justification of the necessity of such support through a gap analysis demonstrating that the expected job losses would exceed the expected number of jobs created in the absence of the investment;****”*** |
| N/A. The applicant is not an SME. |

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| **JASPERS recommendations (if any)** |
| The project appears eligible under the specific objective (Article 2) of the JTF Regulation. It will support an existing sector by providing labour force that has up-to-date knowledge and expertice on the production, products and requirements in the glass and ceramics industry. The project will directly benefit the regional companies, economy and help the production to move towards more environmentally practices. |

**Project assessment criteria**

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| **Feasibility of the Project** |
| 1. Project scope and timetable   While details are lacking, the project objective and rationale are clearly expressed. Details on the project’s scope e.g. in terms of square meters or persons to be using the building are not provided.  The readiness of the project is low with the possibility to submit a project application in 2023. An architectural plan is currently being prepared and next would be launching the calls for tenders for construction and planning/documentation works.  The project has begun in Q1 2021 with design and procurement, construction works are planned to start in Q2 2023 and the building complex would be ready for operation in Q2 2025. The buildings are expect to be in operation in 4.5 years, which seems reasonable. |
| 1. Institutional capacity   The applicant is Karlovy Vary Region, which is the owner of all the related properties and is responsible for the project’s construction part, whereas the School will operate the facilities and manage the educational activities.  The Region will manage the construction project together with Education, Youth and Sports Department (preparation of the project application), Investment Department (supervision of the construction part of the project), Regional Development Department (compliance of the project with the Regional Strategy Papers) and Project Management Department (compliance with the call for the OP ST). Therefore, the Karlovy Vary Region has sufficient experience in implementing projects of similar scope and scale as the proposed one. Similarly, the Central Industrial School of Ceramic and Glass in Karlovy Vary has proven expertise and experience in organizing and delivering the education and training services presented above.  The applicant is a public sector entity, details on its financial capacity and funding sources were not provided. |
| 1. Technical feasibility   The size of the building area is not provided in the material. Also, the number of new students expected to enroll in the School, new teachers and other staff to be working at the premises is not mentioned. Therefore, it is not possible for JASPERS to assess the technical feasibility of the project.  The solution of renovating part of the existing secondary school and complementing it with a new building is a better solution compared to building a new facility. Architecturally, the building will be designed to encourage interaction and enhance the community feel. |
| 1. Financial feasibility   Demand for the project originates from the need to widen the School’s education and life-long training offer in order to cater up-to-date skills to the existing local firms in the glass and ceramics manufacturing and support the firms in moving towards more environmentally friendly production and higher value-added specialty products. While the connection to the existing businesses is made clear, it remains difficult to judge the importance of the glass and ceramics sector in the region. Demand analysis and the sector’s outlook would be needed.  The project’s budget remains are very high-level and the size of the buildings is missing, therefore, it is impossible to assess the realism of the project’s costs.  The project cost is estimated at CZK 680m (EUR 26.5m), with all costs allocated to construction and instrumentation. The costs include the entire design-build process. The Karlovy Vary Region will cover 15% of the budget, and 85% is expected to come from the JTF subsidy.  The education, training and other activities to be provided by the School will be partly covered by an increase of the revenues from the regional budget to ca. CZK 6.9m per year. After completion, part of the opex related to buildings themselves will be covered by revenues from renting of the facilities for events, professional use, and activities. |
| 1. Project risks   In JASPERS opinion:   * *Technical risks are high*: Renovating existing buildings may bring issues with toxic materials, structural defects in plumbing, roof, electricity, ventilation, drainage, and different types of hidden damages cumulated over the years or require mastering techniques that are hard to find. Any of these will lead to delays and budget overruns. * *Implementation risks are medium*: All the construction works are planned to be finished in two years. The applicant has experience in carrying out similar projects. However, delays, budget overruns, and low quality of the construction works/output will materialize if there is not enough time and resources allocated to the inspection of the old building, planning the works, and finding contractor(s) specialized in the renovation. Also permitting may last longer than expected. * *Demand/market risks are low*: A proper demand analysis and the glass and ceramics sector’s outlook have not been made available. However, it seems that the education and training provided by the School match well the needs of the existing local firms and carry the project. * *Financial risks are medium*: Karlovy Vary Region owns the building and the land on which the new building will be built. It is also responsible for project management, and pre-financing and co-financing.Its co-financing share is foreseen at 15% and is to be drawn from its own funds. |

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| **JASPERS comments and recommendations (if any)** |
| While the project is aligned with both the specific objective and activities of the JTF Regulation, it lacks details on the project scope, demand, relevant sectoral outlook, costs, and long-term sustainability. This make it difficult to opine of the merits of the project.  The clear merits of the project are its linkages to the existing businesses in the region. The sector would need to enhance its RDI intensity and inputs in developing more environmentally friendly products and processes. This transformation requires human resources, which are fit for the purpose and the project directly addresses this.  JASEPRS’ recommendation is to focus on the missing elements, conduct a feasibility study and develop a business case for the project. |

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| **JASPERS Remarks on Financing Options and Project Qualification to JTM Pillars** |
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