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Rut Bízková

Deputy minister of Environment

Prague, 6 August 2007

Č.j.: 55893/ENV/07

2203/300/07

Dear Mr. Ahner,

Following recommendations stipulated in your letter of 27 February 2007 regarding a proposal of conditions for financing water management projects in the 2007 – 2013 programming period within the Czech Operational Program for Environment, please find enclosed revised draft guidelines called “Conditions of Acceptability of Water Sector Projects for the Operational Program Environment in Programming Period 2007-2013” (“guidelines”).

This document addresses, as we believe, all the outstanding issues related to the current and future new operational contracts aiming at assuring a sound basis for upcoming common negotiation resulting in acceptance of this key area and thus contributing to the final approval of the Operational Program for Environment by the European Commission.

According to our view, the conditions proposed reflect Commission's recommendations presented within the expert's reports obtained in years 2004 and 2006 as well as the relevant Commission's correspondence we have received during the last few years.

The conditions for accepting current operational contracts have been designed to comply with the EC Treaty competition rules in relation to the duration of contracts, to eliminate undue profit and to enhance efficiency of operators by using of efficiency supporting instruments. Proposed categories of current operational contracts each intended to be specifically treated within these guidelines are accompanied by data reflecting their percentage and investment coverage within the water sector in the Czech Republic.

As regards future new operational contracts, there are various conditions proposed to be followed when awarding this type of contracts; most of them follow a very complex legislation related to this field. Some conditions, such as proportional duration of the contracts and applied awarding criteria, are directly specified in the guidelines.

I also would like to inform you about two supporting documents to these guidelines recently elaborated by the TA consultants – a sample operational contract and a catalog of performance criteria. We are prepared to make these documents available to you once approved by the Ministry of Environment which is expected in September 2007.

We expect that these guidelines will be discussed with your services within a negotiation process of the Operational Program for Environment.

Yours sincerely,



Enclosure

Mr. Dirk Ahner
Director General
European Commission
Bruxelles

Copy:

Mr. Milan Půček, Deputy minister, Ministry for Regional Development of the Czech republic