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Proposal for a

COUNCIL IMPLEMENTING DECISION

on the approval of the assessment of the recovery and resilience plan for Czechia

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2021/0245 (NLE)

Proposal for a

COUNCIL IMPLEMENTING DECISION

on the approval of the assessment of the recovery and resilience plan for Czechia

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility[1] and in particular Article 20 thereof,

Having regard to the proposal from the European Commission,

Whereas:

(1) The COVID-19 outbreak has had a disruptive impact on the economy of Czechia. In 2019, the gross domestic product per capita (GDP per capita) of Czechia was 68 % of the EU average. According to the Commission's Interim Summer 2021 forecast, the real GDP of Czechia declined by 5,6% in 2020 and is expected to decline by 1,9% cumulatively in 2020 and 2021. Longer-standing aspects with an impact on medium-term economic performance include maintaining productivity growth, which requires sustained structural reforms of education, the innovation ecosystem and governance, and targeted investment into infrastructures and R&D. Czechia is not yet fully prepared for the green and digital transitions. Technological changes, such as the automation of production processes, are likely to have a significant impact on Czechia's economy, given the exposure of its large manufacturing sector, including automotive production. In addition, the pension and healthcare systems pose long-term sustainability risks to public finances and the economy.

(2) On 9 July 2019 and on 20 July 2020, the Council addressed recommendations to Czechia in the context of the European Semester. In particular, the Council recommended to take measures to support the economic recovery while safeguarding long-term fiscal sustainability and enhancing investment; to ensure the resilience of the health system, strengthen the availability of health workers, primary care and the integration of care, and deployment of eHealth services; to support employment

[1] OJ L 57, 18.2.2021, p. 17.

through active labour market policies, the provision of skills, including digital skills, and access to digital learning; to support small and medium-sized enterprises by making greater use of financial instruments to ensure liquidity support, reducing the administrative burden and improving eGovernment; to front-load mature public investment projects and promote private investment to foster the economic recovery; to focus investment on the green and digital transitions, in particular on high-capacity digital infrastructure and technologies, clean and efficient production and use of energy, and sustainable transport infrastructure, including in the coal regions; to remove the barriers hampering the development of a fully functioning innovation ecosystem; to ensure access to finance for innovative firms and to improve public-private cooperation in research and development. Having assessed progress in the implementation of those country-specific recommendations at the time of submission of the recovery and resilience plan, the Commission finds that substantial progress has been achieved with respect to the recommendation on taking all necessary measures to effectively address the pandemic, sustain the economy and support the ensuing recovery.

(3) On 1 June 2021, Czechia submitted its national recovery and resilience plan to the Commission, in accordance with Article 18(1) of Regulation (EU) 2021/241. That submission followed a consultation process, conducted in accordance with the national legal framework. The consultation included social partners, local and regional authorities and other relevant stakeholders. The national ownership of the recovery and resilience plans is underpinning their successful implementation and lasting impact at national level and credibility at Union level. Pursuant to Article 19 of Regulation (EU) 2021/241, the Commission has assessed the relevance, effectiveness, efficiency and coherence of recovery and resilience plan, in accordance with the assessment guidelines of Annex V to that Regulation.

(4) The recovery and resilience plans should pursue the general objectives of the Recovery and Resilience Facility established by Regulation (EU) 2021/241 and of the EU Recovery Instrument set up by Council Regulation (EU) 2020/2094[2] in order to support the recovery in the aftermath of the COVID-19 crisis. They should promote the Union's economic, social and territorial cohesion by contributing to the six pillars referred to in Article 3 of Regulation (EU) 2021/241.

(5) The implementation of the Member States' recovery and resilience plans will constitute a coordinated effort of investment and reforms across the Union. Through the coordinated and simultaneous implementation of these reforms and investments and the implementation of cross-border projects, these reforms and investments will mutually reinforce each other and generate positive spillovers across the whole Union. Therefore, about one third of the impact of the Facility on Member States' growth and job creation will come from spillovers from other Member States.

Balanced response contributing to the six pillars

[2] Council Regulation (EU) 2020/2094 of 14 December 2020 establishing a European Union Recovery Instrument to support the recovery in the aftermath of the COVID-19 crisis (OJ L 433I , 22.12.2020, p. 23).

(6) In accordance with Article 19(3) point (a) and section 2.1 of Annex V to Regulation (EU) 2021/241, the recovery and resilience plan represents to a large extent (Rating A) a comprehensive and adequately balanced response to the economic and social situation, thereby contributing appropriately to all six pillars referred to in Article 3 of Regulation (EU) 2021/241, taking the specific challenges and the financial allocation of the Member State concerned into account.

(7) The Czech recovery and resilience plan provides for a comprehensive and balanced response to the crisis caused by the pandemic. The plan includes measures that contribute to all six pillars as defined by Article 3 of Regulation (EU) 2021/241. The plan makes explicit references to the six pillars and how they are being addressed by the measures, and includes components contributing towards at least one or multiple pillars. The plan is composed of a set of investments and reforms focusing on key areas such as digitalisation, the green transition, education and training, access to financing, culture, research and innovation, and healthcare.

(8) The plan envisages forward-looking measures facilitating the digital transformation and green transition of the Czech economy. Such measures include the expansion of eGovernment, including open data and eHealth services, investments in the digitalisation of the country’s justice system, the expansion of very high-capacity and 5G networks, digital innovation and digital skills, and the digitalisation of industry. The plan aims to increase the share of sustainable modes of transport, save energy and reduce greenhouse gas emissions, while contributing to climate mitigation and adaptation objectives, to the preservation and restoration of nature, and to the implementation of circular economy solutions. The measures address the specific socio-economic challenges faced by Czechia, by supporting the innovation ecosystem and skills development in education and training, while taking into account social disparities.

Addressing all or a significant subset of challenges identified in Country Specific Recommendations

(9) In accordance with Article 19(3), point (b) and section 2.2 of Annex V to Regulation (EU) 2021/241, the recovery and resilience plan is expected to contribute to effectively addressing all or a significant subset of challenges (Rating A) identified in the relevant country-specific recommendations, including fiscal aspects thereof addressed to the Member State concerned or challenges identified in other relevant documents officially adopted by the Commission in the context of the European Semester.

(10) The plan includes a set of mutually reinforcing reforms and investments that contribute to effectively addressing all or a significant subset of the economic and social challenges outlined in the country-specific recommendations addressed to Czechia by the Council in the European Semester in 2019 and in 2020 notably in the fields of healthcare, skills and education, green and digital transition, transport, supporting businesses and research and innovation. The plan contributes to addressing the structural challenges identified in the country-specific recommendations as it includes a number of investments and reforms which are expected to trigger progress for the Czech economy and society. It focuses strongly on investments in the aforementioned fields in particular in energy, digital infrastructure and sustainable

transport. In the energy field, Czechia plans to modernise district heating distribution networks, increase renewable energy sources, improve energy efficiency in residential and public buildings and replace coal-fired boilers for households. Digital and transport infrastructure projects focus on very high-capacity digital and railway networks, which should contribute to building modern and green foundations for future productivity growth.

(11) Those investments are to be supported by a reform of the procedure for granting construction permits, including digitalisation of the process, significantly reducing its length. eGovernment and anti-corruption measures are expected to improve the business environment further. The growth potential and competitiveness of the Czech economy should also be supported by R&D investment, which should target public-private cooperation, access to finance and non-financial support for innovative firms, notably SMEs, improvement of the innovation ecosystem, and it should also focus on industrial, environmental, transport, cultural, digital and healthcare areas. The Council recommendations related to labour market, skills and education are expected to be addressed through requalification schemes, company-based training life-long-learning opportunities, new childcare facilities, digital competences for teachers, an updated curriculum fostering digital skills and literacy and IT equipment for schools, as well as measures focusing on inequalities in education. Healthcare recommendations are expected to be addressed through reinforced cancer prevention and rehabilitation care, development of an eHealth portal fostering integrated care practices and support to education in healthcare. Further complementary actions include measures to improve long-term care.

(12) The Council recommendations related to the immediate fiscal policy response to the pandemic can be considered as falling outside the scope of Czechia's recovery and resilience plan, notwithstanding the fact that Czechia has generally responded adequately and sufficiently to the immediate need to support the economy through fiscal means in 2020 and 2021, in line with the provisions of the General Escape Clause of the Stability and Growth Pact.

(13) Long-term sustainability of public finances is however not addressed in the plan. Given the medium- to long-term nature of the challenge, the urgency to address it in the current economic situation is less evident than for the other recommendations. However, Czechia should continue to face medium risks for fiscal sustainability of public finances in the long term, mainly due to the costs of ageing. Improving long-term fiscal sustainability of the pension and healthcare systems thus remains an important challenge to address in the coming years. In addition, the plan takes into account regional disparities when addressing the recommendations only to some extent.

Contribution to growth potential, job creation and economic, social and institutional resilience and implementation of European pillar of social rights

(14) In accordance with Article 19(3), point (c) and section 2.3 to Annex V to Regulation (EU) 2021/241, the recovery and resilience plan is expected to have a high impact (Rating A) on strengthening the growth potential, job creation, and economic, social and institutional resilience of the Member State, contributing to the implementation of the European Pillar of Social Rights, including through the promotion of policies for

children and youth, and on mitigating the economic and social impact of the COVID-19 crisis, thereby enhancing the economic, social and territorial cohesion and convergence within the Union.

(15) Simulations by the Commission services show that the plan has the potential to increase the GDP of Czechia by between 0.8% and 1.2% by 2026[3]. The recovery and resilience plan is expected to contribute to economic growth and job creation in Czechia. The plan coherently addresses several identified weaknesses of the economy, notably the industry's exposure to the risks posed by automation and the green transition, the low levels of R&D funding for early-stage innovative firms, skill mismatch, low labour market participation of women and the low skilled and inefficiencies in public administration.

(16) The plan addresses those weaknesses and vulnerabilities in particular through channelling financial and non-financial support to SMEs, large enterprises and projects, enabling them to participate in green and digital transition, investments into transport, measures aiming at improving the research and innovation ecosystem, promoting science-business cooperation and financing digitalisation and research and innovation in strategic sectors in accordance with the Smart specialisation strategy and providing early-stage financing to start-ups. Measures addressing the adaptability of the workforce include the revision of curricula and upskilling and reskilling actions, whereas the low labour market participation of women with small children is addressed by increasing the capacity of childcare facilities. The plan envisages measures to foster the use of eGovernment services, to simplify construction permission procedures and to enhance corruption prevention through legislative action, which should contribute to improving the business environment for private investors.

(17) The recovery and resilience plan contributes to addressing several social challenges relevant for Czechia and supports the implementation of the European Pillar of Social Rights. The measures are expected to support social cohesion and address multiple challenges in that field. The provision of very-high-capacity networks to rural areas is expected to mitigate the urban/rural divide in access to connectivity. Reinforced support of schools with a higher share of pupils from a disadvantaged socio-economic background and IT equipment for disadvantaged pupils and students should help address inequalities in education. Increasing pre-school education and training capacities should reinforce equal opportunities and foster women's labour market participation. Other important measures addressing the needs of children include curricular reforms to strengthen digital competences of pupils and the use of digital resources.

(18) The investment in public transport networks and digital connectivity infrastructure is particularly relevant for structurally disadvantaged regions and low-wage earners in urban areas. Measures are also expected to support the decarbonisation of district heating and energy savings of households. In addition, the investment in replacing polluting coal-fired heating systems by heat pumps and biomass boilers in residential

[3] Such simulations reflect the overall impact of NGEU, which also includes funding for ReactEU, and increased funding for Horizon Europe, InvestEU, JTF, Rural Development and RescEU. Such simulation does not include the possible positive impact of structural reforms, which can be substantial

buildings of low-income families should decrease energy poverty and reduce the costs of green investment. The social needs of the vulnerable should also be supported by easier access to health screening programmes and by increased capacity in social care and investment in social care infrastructure.

Do no significant harm

(19) In accordance with Article 19(3), point (d) and section 2.4 of Annex V to Regulation (EU) 2021/241, the recovery and resilience plan is expected to ensure that no measure (Rating A) for the implementation of reforms and investments projects included in the recovery and resilience plan does significant harm to environmental objectives within the meaning of Article 17 of Regulation (EU) 2020/852 of the European Parliament and of the Council[4] (the principle of 'do no significant harm'). Czechia has conducted a 'do no significant harm' assessment of measures included in the plan. The potential harmful environmental impact of all relevant measures should be addressed through appropriate assurances, including relevant milestones and targets, ensuring that the applicable environmental criteria are met. Where needed, milestones should be established to ensure the implementation of mitigating measures to avoid significant harm. That is the case for measures supporting the modernisation of district heating distribution networks, replacement of coal-fired boilers by gas-condensing and biomass-based boilers in residential and public buildings, and flood protection.

Contribution to the green transition including biodiversity

(20) In accordance with Article 19(3), point (e) and section 2.5 of Annex V to Regulation (EU) 2021/241, the recovery and resilience plan contains measures that contribute to a large extent (Rating A) to the green transition, including biodiversity, or to addressing the challenges resulting therefrom. The measures supporting climate objectives account for an amount which represents 41,6% of the plan's total allocation, calculated in accordance with the methodology of Annex VI to Regulation (EU) 2021/241. In accordance with Article 17 of Regulation (EU) 2021/241, the recovery and resilience plan is consistent with the information included in the National Energy and Climate Plan 2021-2030.

(21) Investments in renewable energy sources, modernisation of district heating distribution networks, replacement of coal-fired boilers and improving the energy efficiency of residential and public buildings are expected to help Czechia achieve its 2030 decarbonisation objectives and to support the transition to a circular economy. The investments in gas and biomass are subject to specific conditions and should be guided by the sustainability criteria for renewable energy sources to be adopted by Czechia. The investments in sustainable transport should improve railway infrastructure and clean mobility infrastructure, including electro-mobility. That is expected to boost the overall mobility ecosystem, which is key for the Czech economy.

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[4] Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (OJ L 198, 22.6.2020, p. 13).

(22) Reforms and investments related to nature protection and water management are expected to help address to some extent the challenges Czechia faces with respect to climate adaptation and to the protection of water sources, nature and biodiversity.

Contribution to the digital transition

(23) In accordance with Article 19(3), point (f) and section 2.6 of Annex V to Regulation (EU) 2021/241, the recovery and resilience plan contains measures that contribute to a large extent (Rating A) to the digital transition or to addressing the challenges resulting from it. The measures supporting digital objectives account for an amount which represents 22,1% of the plan's total allocation calculated in accordance with the methodology of Annex VI to Regulation (EU) 2021/241.

(24) The plan puts forward ambitious measures for the digital transformation of the Czech economy taking a comprehensive approach, which contributes to the development of the national layer of the European digital ecosystem. The proposed measures combine investing in very high-capacity and 5G networks, technological demonstration projects, building quantum communication infrastructure, aiding companies in exploiting the opportunities of digital innovation, and facilitating the transfer of know-how with the help of digital innovation hubs and testing and experimentation centres. In order to respond to the changing needs of the labour market, the recovery and resilience plan also promotes digital skills through upskilling and reskilling programmes as well as a digital reform of education. Measures to provide teachers and pupils with digital skills are combined with the provision of IT equipment and connectivity to schools and pupils, while taking into account regional and social disparities.

(25) The reforms should ensure that changes of the digital transformation remain sustainable and effective. Under the Czech plan, the provision of eGovernment services and eHealth should be expanded, which is expected to increase the efficiency of public administration and improve the business environment. Changes to the construction permission procedure and its digitalisation should be implemented to speed up and simplify the relevant processes. Reforming the curricula in primary and secondary education should support the development of digital literacy of pupils in Czechia. The plan also introduces an improved governance model to oversee the digital transformation and digital innovation effectively and to support technology start-ups. Hence, the plan is expected to address important aspects of digital transformation and the digital ecosystem as a whole, and thereby improve the competitiveness of the Czech economy.

Lasting impact

(26) In accordance with Article 19(3), point (g) and section 2.7 of Annex V to Regulation (EU) 2021/241, the recovery and resilience plan is expected to have a lasting impact on Czechia to a large extent (Rating A).

(27) The recovery and resilience plan of Czechia presents a set of reforms and investments with a focus on the latter, which have the potential to have a lasting impact on Czechia. The plan introduces measures aiming to bring structural changes in public administration, transport, energy savings and energy resources of households, skills

and education, anti-corruption, research and innovation and access to health and long-term care. The plan puts forward an ambitious agenda for the digitalisation of business and a supportive recovery agenda for strengthening the innovation ecosystem, which should foster sustainable growth and increase the competitiveness of Czechia.

(28) Sizeable investments are expected to bring lasting changes to the Czech economy. The investment in sustainable modes of transport, such as railways, and in energy efficient renovation of housing stock and public buildings, should reduce air pollution, aid the green transition and contribute to territorial cohesion. The investments in innovative start-ups, SMEs and large enterprises through various funding schemes, coupled with the strengthening of the innovation ecosystem and public-private cooperation and investment in very high-capacity networks, should foster innovation and the competitiveness of Czech businesses, whilst contributing to the green and digital transitions. The planned investments for the digital transition of Czechia's justice system have a good potential to strengthen its efficiency and resilience and improve access to justice. Healthcare reforms are supported by investment in specialised care, eHealth, screening programmes and comprehensive rehabilitation care as well as in excellent research in selected healthcare fields, which may improve health outcomes. Investments in education, training and social care aid social cohesion and contribute to cushioning the potential impact of changing labour market trends and demographics. Those investments are complemented by further investment in project preparation, training, awareness raising, methodological and analytical support at the central, regional and local levels to foster the green and digital transitions and maximise the impact and the absorption of additional resources, including funds from the Recovery and Resilience Facility. The lasting impact of the plan may also be enhanced through synergies between the plan and other programmes financed by the cohesion policy funds, notably by addressing in a substantive manner the deeply rooted territorial challenges and promoting balanced development.

Monitoring and implementation

(29) In accordance with Article 19(3), point (h) and section 2.8 of Annex V to Regulation (EU) 2021/241, the arrangements proposed in the recovery and resilience plan, to the extent they are complemented by the additional measures contained in this Decision as milestones, are minimum (Rating B) to ensure effective monitoring and implementation of the recovery and resilience plan, including the envisaged timetable, milestones and targets, and the related indicators.

(30) The national arrangement for the implementation of the recovery and resilience plan are set out in Government resolution No 467 of 17 May 2021. The Managing Council of the national recovery and resilience plan is the highest decision-making and approval body with the responsibility for the overall coordination and monitoring of the recovery and resilience plan. The Ministry of Industry and Trade, as the responsible authority for the recovery and resilience plan and its implementation, is responsible for coordination, monitoring and reporting of the recovery and resilience plan and is the main point of contact for the Commission. That body should draw up requests for payments to the Commission, once the component owners declare that the respective milestones have been fulfilled and the audit body at the Ministry of Finance carries out the system audit, which includes substantive testing of declared milestones and targets. Following a recent audit on other EU programmes, the Ministry of

Industry and Trade has received a qualified audit opinion due to the absence of effective measures targeting the prevention, detection and correction of cases of conflict of interest. Dedicated milestones shall be established to ensure that those weaknesses will have been addressed before the first payment request.

(31) Member States should ensure that financial support under the Facility is communicated and acknowledged in line with Article 34 of Regulation (EU) 2021/241. Technical support may be requested under the Technical Support Instrument or other sector-specific tools such as the Horizon Policy Support Facility to assist Member States in the implementation of their plan.

Costing

(32) In accordance with Article 19(3), point (i) and section 2.9 of Annex V to Regulation (EU) 2021/241, the justification provided in the plan on the amount of the estimated total costs of the recovery and resilience plan is to a medium extent (Rating B) reasonable and plausible, is in line with the principle of cost efficiency and is commensurate to the expected national economic and social impact.

(33) Czechia has provided estimates relying on appropriate justification, evidence and methodology for the majority of the costs of the measures included in the plan. Costing information and supporting documents have been provided to a medium extent. In many cases, costs have been benchmarked with reference to past projects or tender data of similar investments carried out in Czechia or other Member States. Where this was not possible, cost estimates have mostly been provided using bottom-up approaches based on market prices of the large cost drivers. For several smaller measures, detailed explanations of the cost estimates or supporting documentation have been limited. According to that information, there are no indications that the overall reasonability, plausibility and additionality of the cost estimates would be impaired. Finally, the estimated total cost of the recovery and resilience plan is in line with the principle of cost-efficiency and is commensurate to the expected national economic and social impact.

Protection of financial interests

(34) In accordance with Article 19(3), point (j) and section 2.10 of Annex V to Regulation (EU) 2021/241, the arrangements proposed in the recovery and resilience plan, to the extent they are complemented by the additional measures contained in this Decision as milestones are adequate (Rating A) to prevent, detect and correct corruption, fraud and conflicts of interests when using the funds provided under that Regulation, and the arrangements are expected to effectively avoid double funding under that Regulation and other Union programmes. This is without prejudice to the application of other instruments and tools to promote and enforce compliance with EU law, including for preventing, detecting and correcting corruption, fraud and conflict of interest, and for protecting the Union budget in line with Regulation (EU, Euratom) 2020/2092 of the European Parliament and of the Council.

(35) The internal control system described in the recovery and resilience plan, as complemented by the additional measures contained in this Decision as milestones, is based on robust processes and structures and clearly identifies actors and their roles

and responsibilities for the performance of the internal control tasks. The internal control system consists of the levels: (i) management verifications carried out by component owners and coordinating body at the level of the Ministry of Industry and Trade; and (ii) audits carried out by the national audit body centralised at the Ministry of Finance. Altogether, the description of the internal control system and other relevant arrangements in the recovery and resilience plan, including for the collection and making available of data on final recipients are acceptable with respect to preventing, detecting and correcting corruption, fraud, conflict of interests when using the funds under Regulation (EU) 2021/241 and to avoid double funding under that Regulation and other Union programmes.

(36) Additional milestones are set requiring (i) a compliance review of the national procedures to ensure that the application of beneficial ownership in the context of the Facility's internal control system is fully aligned with the definition of 'beneficial owners' as defined in Article 3, point 6 of Directive 2015/849, as amended by Directive 2018/843, (ii) the coordinating body to issue guidance on the avoidance and management of conflict of interests under the Financial Regulation and applicable national law for the component owners and other entities implementing reforms and investments under the recovery and resilience plan. This should further strengthen the measures to protect the EU budget against fraud and irregularities, (iii) the audit body to adopt an audit strategy ensuring the independent and effective audit of the RRF implementation, and (iv) the Managing Council of the national recovery and resilience plan to approve and implement procedures for the system to collect, store and process data in relation to all final recipients, including all beneficial owners as established by Article 3 of the Directive (EU) 2015/849. All these milestones shall be fulfilled before the first payment request is submitted to the Commission.

(37) Although the description of the internal control system and other arrangements to prevent, detect and correct conflict of interests is acceptable, taking into account the serious deficiencies in the Czech management and control system to avoid conflict of interests, as verified by a recent audit on other EU programmes, a dedicated audit on effectiveness of the internal control system shall be undertaken by the audit body. The report shall provide an unqualified audit opinion on the effectiveness of the internal control system to avoid conflict of interests at the level of the recovery and resilience plan, in particular that (i) collection, storage and processing data in relation to all final recipients, including all beneficial owners as established by Article 3(6) of the Directive (EU) 2015/849, (ii) internal control system to prevent, detect and correct conflict of interests situations is in accordance with Article 61 of the Financial Regulation, and (iii) national control procedures to avoid conflict of interests situations for all beneficial owners are effective. In accordance with Article 20(5)(e) of Regulation (EU) 2021/241, Czechia should implement these measures in order to comply with Article 22 of that Regulation, by confirming their implementation with the first payment request. The report should describe identified weaknesses and deficiencies and corrective actions taken.

(38) Czechia has indicated that an information system for the management and reporting of the milestones and targets is under discussion in order to meet specific management and reporting requirements described in the recovery and resilience plan. A milestone should ensure that a repository system for monitoring the implementation of the Facility should be put in place and be operational by the time of the first payment

request. The system should include, as a minimum, the following functionalities: (a) ensure the collection of data and monitoring of the achievement of milestones and targets; and (b) collect, store and ensure access to the data required by Article 22(2)(d)(i) to (iii) of Regulation (EU) 2021/241, pursuant to its Article 22(2)(e).

(39) A robust anti-corruption framework is indispensable in preventing, detecting and correcting irregularities like fraud, corruption, or conflict of interests when using the funds under Regulation (EU) 2021/241. For the prevention, detection and correction of fraud, corruption and conflicts of interests the strengthening of the legislative framework to better prevent corruption is required in the context of the Plan's implementation.

Coherence of the plan

(40) In accordance with Article 19(3), point (k) and section 2.11 of Annex V to Regulation (EU) 2021/241, the plan includes to a medium extent (Rating B) measures for the implementation of reforms and public investment projects that represent coherent actions.

(41) The Czech recovery and resilience plan presents a comprehensive package of measures with a strong investment focus. The plan is built on six priorities, namely digital transformation, sustainable transport infrastructure, education and labour market, institutions and business support, research and innovation, and health and resilience of the population. Those priorities are implemented through twenty six components. Synergies are present across a number of components. The plan ensures an overall balance between reforms and investments. Yet, for some components, investment is not accompanied by relevant reforms. The need for establishing systematic complementarities with Cohesion Policy funding is evident and some examples are presented in the components. Demarcation lines are sufficiently developed but should also depend on the finalisation of the Partnership Agreement and Cohesion policy programmes.

Equality

(42) Czechia's recovery and resilience plan contains a series of measures that are expected to address the country's challenges in the area of gender equality and equal opportunities for all. As regards gender equality, the plan is designed to increase the labour market participation of women with young children through ample investment in pre-school facilities for children below the age of three. The plan also includes a legislative reform to better target active labour market policies at the most vulnerable groups. The part of the plan addressing inequalities in education includes reinforced support for schools with a high proportion of children from disadvantaged socio-economic backgrounds, training and mentoring of teachers dealing with heterogeneous groups of pupils, and additional tutoring for children at risk of failure due to prolonged school closures. The plan also envisages investment in digital equipment of schools to ensure access to learning for disadvantaged pupils and students. However, the plan does not mention explicitly how the measures are expected to tackle the challenges faced by the Roma community. The situation and needs of people with disabilities are addressed in several parts of the plan, including in relation to the new construction code, renovation of buildings and their improved accessibility, digitalisation, eHealth

and social care. The challenges faced by older people are also addressed, in particular through improving the quality and accessibility of long-term care, social care and healthcare. Specific investment in energy efficiency for households of disadvantaged social groups is planned.

Security self-assessment

(43) The plan includes a security-self assessment for investments in digital capacities and connectivity in accordance with the Article 18(4), point (g) of the Regulation (EU) 2021/241. The plan foresees investments in digital infrastructure such as high-capacity and 5G networks, ICT infrastructure including cloud for eGovernment, cybersecurity developments and quantum communication infrastructure.

Cross-border and multi-country projects

(44) The plan proposes several projects with a cross-border dimension, mostly with regard to the digital transition. It supports research and development in enterprises and European and national Digital Innovation Hubs to stimulate the digital transformation of SMEs, as well as the set-up of a European facility for testing and experimentation. The plan envisages several investments, which form part of cross-country initiatives or networks, including a new European AI excellence centre, a potential IPCEI on Microelectronics and Connectivity with a particular focus on microprocessors, the creation and capacity building of knowledge transfer for digital technologies, and the European Blockchain Service Infrastructure. The plan also supports the construction of Quantum Communication Infrastructure, the participation of Czechia in 5G networks and the application of 5G-ecosystems across the Member States.

Consultation process

(45) The Czech authorities have conducted a consultation process prior to the submission of the plan, in accordance with the national legal framework, mainly through a tripartite forum with the representatives of social partners. The plan also underwent a standard inter-ministerial consultation and a parliamentary debate. To ensure ownership by the relevant actors, it is crucial to involve all local authorities and stakeholders concerned, including social partners, throughout the implementation of the investments and reforms included in the plan.

Positive assessment

(46) Following the positive assessment of the Commission concerning the Czech recovery and resilience plan with the finding that the plan satisfactorily complies with the criteria for assessment set out in Regulation (EU) 2021/241, in accordance with Article 20(2) of that Regulation, this Decision should set out the reforms and investment projects necessary for the implementation of the plan, the relevant milestones, targets and indicators, and the amount made available from the Union for the implementation of the plan in the form of non-repayable financial support.

Financial contribution

(47) The estimated total cost of the recovery and resilience plan of Czechia is CZK 179 142 931 000, which equals EUR 7 035 697 549 on the basis of the EUR

CZK ECB reference rate of 1 June 2021. As the recovery and resilience plan satisfactorily complies with the criteria for assessment set out in Regulation (EU) 2021/241 and, furthermore, as the amount of the estimated total costs of the recovery and resilience plan is lower than the maximum financial contribution available for Czechia, the financial contribution allocated for Czechia's recovery and resilience plan should be equal to the amount of the estimated total costs of the recovery and resilience plan.

(48) In accordance with Article 11(2) of Regulation (EU) 2021/241, the calculation of the maximum financial contribution for Czechia is to be updated by 30 June 2022. As such, in accordance with Article 23(1) of that Regulation, an amount for Czechia should be made available now for a legal commitment by 31 December 2022. Where necessary following the updated maximum financial contribution, the Council, on a proposal from the Commission, should amend this Decision to include the updated maximum financial contribution without undue delay.

(49) The support to be provided is to be financed from the borrowing by the Commission on behalf of the Union on the basis of Article 5 of Council Decision (EU, Euratom) 2020/2053[5]. The support should be paid in instalments once Czechia has satisfactorily fulfilled the relevant milestones and targets identified in relation to the implementation of the recovery and resilience plan.

(50) Czechia has requested pre-financing of 13% of the financial contribution. That amount should be made available to Czechia subject to the entry into force and in accordance with the Financing Agreement provided for in Article 23(1) of Regulation (EU) 2021/241.

(51) This Decision should be without prejudice to the outcome of any procedures relating to the award of Union funds under any other Union programme than Regulation (EU) 2021/241 or to procedures relating to distortions of the operation of the internal market that may be undertaken, in particular under Articles 107 and 108 of the Treaty. It does not override the requirement for Member States to notify instances of potential State aid to the Commission under Article 108 of the Treaty,

HAS ADOPTED THIS DECISION:

Article 1
Approval of the assessment of the recovery and resilience plan

The assessment of the recovery and resilience plan of Czechia on the basis of the criteria provided for by Article 19(3) of Regulation (EU) 2021/241 is approved. The reforms and investment projects under the recovery and resilience plan, the arrangements and timetable for monitoring and implementation of the recovery and resilience plan, including the relevant milestones and targets, the relevant indicators relating to the fulfilment of the envisaged milestones and targets, and the arrangements for providing full access by the Commission to the underlying relevant data are set out in the Annex to this Decision.

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[5] OJ L 424, 15.12.2020, p. 1.

Article 2
Financial contribution

1. The Union shall make available to Czechia a financial contribution in the form of non-repayable support amounting to EUR 7 035 697 549. An amount of EUR 3 537 379 398 shall be available to be legally committed by 31 December 2022[6]. Subject to the update provided for in Article 11(2) of Regulation (EU) 2021/241 calculating an amount for Czechia equal to or more than this amount, a further amount of EUR 3 498 318 151 shall be available to be legally committed from 1 January 2023 until 31 December 2023.

2. The Union financial contribution shall be made available by the Commission to Czechia in instalments in accordance with the Annex. An amount of EUR 914 640 681 shall be made available as a pre-financing payment, equal to 13 per cent of the financial contribution. The pre-financing and instalments may be disbursed by the Commission in one or several tranches. The size of the tranches shall be subject to the availability of funding.

3. The pre-financing shall be released subject to the entry into force and in accordance with the Financing Agreement provided for in Article 23(1) of Regulation (EU) 2021/241. Pre-financing shall be cleared by being proportionally deducted against the payment of the instalments.

4. The release of instalments in accordance with the Financing Agreement shall be conditional on available funding and a decision by the Commission, taken in accordance with Article 24 of Regulation (EU) 2021/241, that Czechia has satisfactorily fulfilled the relevant milestones and targets identified in relation to the implementation of the recovery and resilience plan. Subject to the entry into force of the legal commitments referred to in paragraph 1, to be eligible for payment, milestones and targets shall be completed no later than 31 August 2026.

Article 3
Addressee

This Decision is addressed to the Czech Republic.

Done at Brussels,

For the Council
The President

[6] This amount corresponds to the amount available for legal commitment by 31 December 2022 after deduction of Czechia's proportional share of the expenses of Article 6(2) of Regulation (EU) 2021/241, calculated in accordance with the methodology of Article 11 of that Regulation