

Summary of the assessment of the Czech recovery and resilience plan

Grants: EUR 7.036bn

122 measures: 37 reforms and 85 investments divided into 26 components

Number of milestones and targets: 115 milestones and 129 targets

Climate target: 41,6%

Digital target: 22,1%

1. Summary of the Commission's assessment of the recovery and resilience plan

Criterion	Commission assessment	Rating A-C
2.1	<p>The Czech recovery and resilience plan provides for a comprehensive and balanced response to the crisis caused by the pandemic. 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. 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.</p>	A
2.2	<p>The plan includes a set of mutually reinforcing reforms and investments that contribute to effectively addressing 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. 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. 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</p>	A

	<p>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.</p> <p>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. 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.</p>	
2.3	<p>The recovery and resilience plan is expected to contribute to economic growth and job creation in Czechia. Simulations by the Commission staff show that the plan has the potential to increase the country's GDP by between 0.8% and 1.2% annually by 2026. 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.</p> <p>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, 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.</p>	A
2.4	<p>The measures in Czechia's plan comply with the 'do no significant harm' (DNSH) principle. The DNSH requirements are upheld in the design of the measures, including their milestones or targets.</p> <p>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.</p>	A

2.5	<p>The plan contains measures that contribute to a large extent 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. The plan is consistent with the information included in the National Energy and Climate Plan 2021-2030.</p> <p>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.</p> <p>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.</p>	A
2.6	<p>The measures supporting digital objectives account for an amount which represents 22.1% of the plan's total allocation.</p> <p>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.</p> <p>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.</p>	A
2.7	<p>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</p>	A

	<p>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.</p> <p>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.</p>	
2.8	<p>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. 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.</p>	B
2.9	<p>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.</p>	B

2.10	<p>The internal control system described in the recovery and resilience plan, as complemented by the additional measures contained in the plan 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. The following measures are included in the plan as milestones to protect the financial interests of the Union: (i) improvements of the national control system to prevent, detect and correct situations of the conflict of interests, (ii) 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, (iii) adoption of an audit strategy ensuring the independent and effective audit of the RRF implementation, (iv) approval of the 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, and (v) a repository system for monitoring the implementation of the RRF and for collection and storage of all the data referred to in Article 22(2)(d) of the Regulation (EU) 2021/241.</p>	A
2.11	<p>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 26 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.</p>	B

2. Horizontal principles and additionality

Horizontal principle	Commission assessment
<p>Complementarity with EU programmes 2021-2027</p>	<p>The measures in the plan are consistent with and complementary to other EU programmes in the period 2021-2027. Complementarities with support under Cohesion policy funds are evident and presented in the components and summarised at the level of the plan to the extent possible at this stage. Demarcation lines are not always fully clear, as both the Partnership Agreement and Programme are still pending finalisation.</p>
<p>Principle of additionality</p>	<p>The measures in the plan respect the principle of additionality.</p>

Recurring costs	Costs that could have a recurrent nature are included in the plan only to a limited extent and for duly justified exceptions , in accordance with article 5(a) of the Regulation. In these cases, the costs have been demonstrated to have a positive expected effect on the longer-term economic and social resilience of Czechia in line with the objectives of the RRF. Czechia has also provided reassurance that these costs will not lead to a deterioration of the national budget after 2026. For instance, salaries are only supported by the plan if they are of temporary nature and inherently and directly linked to the outcome of the measure (e.g. salaries of trainers for the implementation of upskilling programmes, salaries of researchers involved in R&D projects).
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3. Reply to the European Parliament's questions

Contribution to equality and gender equality: 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. 370 existing childcare facilities are planned to be renovated or extended, and 435 new nurseries are planned to be constructed under the plan. This should meaningfully extend the capacity of the childcare system for children aged between 6 months and 3 years and should thereby increase opportunities for parents (typically women) to return to the active labour market earlier. 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.

Contribution to high-quality employment creation: The plan dedicates component 3.3 to the modernisation of **employment services and labour market development**, which – at a total RRF funding volume of EUR 886 million – **represents the second-largest component of the Czech plan**. Employment difficulties of disadvantaged groups and jobseekers are likely to be improved through the plan's intended development of a retraining and continuous professional training network, however a specific focus on NEETs is missing. This network will involve social partners and aims at expanding and coordinating better the supply of vocational and re-training courses, both through expanded eligibility of participants and a better promotion of training courses with a particular focus on digital skills in the context of challenges posed by the transition to Industry 4.0. **130 000 people should be skilled and trained to gain competencies needed for digital transition**.

Contribution to the implementation of the European Pillar of Social Rights: The plan addresses several social and territorial challenges relevant for Czechia and is expected to contribute to the

implementation of the European Pillar of Social Rights. The plan is targeted at areas where Czechia is lagging behind, namely: uneven education outcomes including advanced digital skills, skills shortages and inequalities in education and training, especially with regard to pupils with weak socio-economic backgrounds. The plan will address low labour market participation of women with small children, social needs of vulnerable in terms of easier access to health screening programmes and by increased capacities in long-term care and investment in social care infrastructure. 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 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.

Addressing regional disparities: The plan considers regional disparities only to a limited extent – **improving the access to the labour market of some disadvantaged groups, through more inclusive education, more job opportunities and better health care services.** For the latter services, attention is warranted that the centralisation of specialised services does not exacerbate patient access challenges from a regional cohesion perspective. The primary channel in the RRP for reducing social inequalities is to enhance access to **quality education for all**, however, further efforts are needed in this regard. Measures for more inclusive education via desegregation of schools and in particular access of disadvantaged groups are missing in the plan. The optimization and infrastructure investments into the hospital network is set to reduce the regional disparities and **improve the access to quality healthcare.** The expansion of digital services and high-speed broadband shall **boost possibilities for distance learning and teleworking across Czechia**, thus contributing to reducing regional and social disparities. Furthermore, **infrastructure improvements in both transport and digital** connectivity can help level out regional inequalities, the polarising effect of which has also been visible in economic and social developments during the crisis. Finally, measures to increase labour market participation and employment can help to reduce the scar on employment levels left by the crisis.

Contribution to upward economic and social convergence:

Maintaining productivity growth, the backbone of Czechia's economic convergence, will require sustained **structural reforms of education and training systems, innovation ecosystem and governance**, targeted investment into **infrastructures, and research and development (R&D)**. By supporting the transition to electric technologies, and providing financial assistance for **decarbonisation of industry**, measures under the "Green economy" policy area of the plan contribute towards keeping the industry sector competitive. The plan aims to increase R&D spending and innovation by **boosting the innovation capacity of domestic businesses**, and at improving public-private cooperation within Czechia's innovation ecosystem. Investments related to the green transition in the RRP exert their beneficial effects on social and territorial cohesion mainly via creating new and more accessible job opportunities. The plan places an emphasis on **improving human capital and raising the skill level** of Czech citizens, an area where the country has significant weaknesses which prevent it from fulfilling its economic potential. Reforming the educational curriculum and strengthening teacher training could help the Czech pupils to improve their performance. Focus on **digital education** could lead to better availability of workers with advanced digital skills necessary for the further transformation of the Czech economy. The **modernisation of rail infrastructure and investments into sustainable transport** links are expected to help connecting remote regions to economic centres and to facilitate the commuting of jobseekers to where employment opportunities are more abundant, thereby improving the labour market outcomes of less developed regions. In addition, the **construction projects** related to the green infrastructure investments would provide

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another source of job opportunity for medium skilled workers. Assistance for renovating and increasing the **energy efficiency of family homes** would help addressing the energy poverty prevalent among poor households.

Contribution to CSR on anti-money laundering:

In case of Czechia, measures which are linked to the Anti money-laundering Directive are proposed under Component 4.3. They aim at strengthening the efficient protection of the financial interests of the Union through a set of 8 milestones aimed at in particular (i) improvements of the national control system to prevent, detect and correct situations of the conflict of interests, (ii) 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, (iii) approval of the 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**, and (iv) a repository system for monitoring the implementation of the RRF and for collection and storage of all the data referred to in Article 22(2)(d) of the Regulation (EU) 2021/241.

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Annex

Table 1: Illustration of the plan's contribution to the six policy pillars

	Green transition	Digital transformation	Smart, sustainable & inclusive growth	Social and territorial cohesion	Health, economic, social and institutional resilience	Policies for the next generation
1.1 Digital services for citizens and businesses		●	○	○	●	○
1.2 Digital public administration systems		●	○	○	●	○
1.3 High-capacity digital networks		●	○	○	○	
1.4 Digital economy and society, innovative start-ups and new technologies		●	●	○		
1.5 Digital transformation of enterprises		●	●			
1.6 Acceleration and digitalization of the building process		●		○	○	
2.1 Sustainable and safe transport	●		○	○		
2.2 Reduction energy consumption in the public sector	●		○			
2.3 Transition to cleaner energy sources	●		●	○		
2.4 Clean mobility	○		●			
2.5 Building renovation and air protection	●		○	○		○
2.6 Nature protection and adaptation to climate change	○		○	○		
2.7 Circular economy, recycling & industrial water	●		●			
2.8 Brownfields revitalisation	●		●	○		

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2.9 Promotion of biodiversity and fight against drought	○		○			
3.1 Innovation in education in the context of digitalisation		●	●	○		●
3.2 Adaptation of school programmes		○	●	●		●
3.3 Modernisation of employment services and labour market development			●	●	○	●
4.2 New quasi-equity instruments to support entrepreneurship and development of the ČMZRБ as a national development bank	●		●			
4.3 Anti-corruption reforms					●	
4.4 Enhancing the efficiency of public administration					●	
4.5 Development of the cultural and creative sectors		○	●	○	○	
5.1 Excellent R&D in the health sector			●		●	
5.2 Support for R&D in companies and the introduction of innovations into business practice			●			●
6.1 Increasing resilience of the health system				○	●	
6.2 National plan to strengthen oncological prevention and care				○	●	

Key: “●” investments and reforms of the component significantly contribute to the pillar; “○” the component partially contributes to the pillar

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Table 2: Mapping of country challenges identified in 2019-20 country-specific recommendations and Czechia's RRP components

Country challenges	Associated CSR (2019-2020) and European Semester recommendations	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C		
		1	1	1	1	1	1	2	2	2	2	2	2	2	2	2	3	3	3	4	4	4	4	5	5	6	6	6	6	
		
		1	2	3	4	5	6	1	2	3	4	5	6	7	8	9	1	2	3	2	3	4	5	1	2	1	2			
Fiscal policy and long-term sustainability of health and pensions systems	2019.1.1	○	○																									○	○	
Health care and long-term care: strengthen resilience of health system, staffing, care integration and eHealth	2020.1.2	●	●		○														○	○					○			●	●	
Foster employment of women and disadvantaged groups, incl. through childcare provision; active labour market policies	2019.2.1, 2020.2.1																													
Quality and inclusiveness of education and training system, incl. digital skills	2019.2.2, 2020.2.2,																													
Sustainable transport	2019.3.1, 2020.3.7							●					○																	
High-capacity Digital infrastructure	2019.3.2, 2020.3.5			●																										
Low carbon transition and energy efficiency	2019.3.3, 2020.3.6									●	●			●																
Adopt pending anti-corruption legislation	2019.1.2																													
Reduce administrative burden on investment and improve e-government	2019.3.4, 2020.3.2	●	●				●																							

