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Subject:	COUNCIL IMPLEMENTING DECISION amending Implementing Decision of 8 September 2021 on the approval of the assessment of the recovery and resilience plan for Czechia

COUNCIL IMPLEMENTING DECISION

of …

amending Implementing Decision of 8 September 2021
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(1) thereof,

Having regard to the proposal from the European Commission,

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

Whereas:

(1) Following the submission of the national recovery and resilience plan ('RRP') by Czechia on 1 June 2021, the Commission proposed its positive assessment to the Council. On 8 September 2021, the Council approved the positive assessment by means of an implementing decision (the 'Council Implementing Decision of 8 September 2021')[1].

(2) Pursuant to Article 11(2) of Regulation (EU) 2021/241, the maximum financial contribution for non-repayable financial support of each Member State is to be updated by 30 June 2022 in accordance with the methodology provided therein. On 30 June 2022, the Commission presented the results of that update to the European Parliament and to the Council.

(3) On 30 June 2023, Czechia submitted a modified national RRP, including a REPowerEU chapter in accordance with Article 21c of Regulation (EU) 2021/241, to the Commission.

(4) The modified RRP takes into account the updated maximum financial contribution in accordance with Article 18(2) of Regulation (EU) 2021/241. It includes a reasoned request to the Commission to make a proposal to the Council to amend the Council Implementing Decision in accordance with Article 21(1) of Regulation (EU) 2021/241 on the grounds that the RRP is partially no longer achievable because of objective circumstances. The modifications to the RRP submitted by Czechia concern 59 measures.

[1] See documents ST 11047/21, ST 11047/21 COR 1 and ST 11047/21 ADD 1 at http://register.consilium.europa.eu.

(5) On 14 July 2023, the Council addressed recommendations to Czechia in the context of the European Semester. The Council recommended that Czechia, inter alia, preserve nationally financed public investment and ensure the effective absorption of grants under the Recovery and Resilience Facility established by Regulation (EU) 2021/241 (the 'Facility') and of other Union funds, in particular to foster the green and digital transitions. For the period beyond 2024, the Council also recommended that Czechia pursue a medium-term fiscal strategy of gradual and sustainable consolidation, combined with investments and reforms conducive to higher sustainable growth, achieve a prudent medium-term fiscal position and take measures to ensure the long-term fiscal sustainability of public finances, including the sustainability of the pension system. Furthermore, the Council recommended that Czechia accelerate the implementation of its RRP, including by ensuring an adequate administrative capacity, and swiftly finalise the addendum, including the REPowerEU chapter, with a view to rapidly starting its implementation. The Council also recommended that Czechia strengthen the provision of social and affordable housing, including by adopting a specific legislative framework for social housing and improved coordination between different public bodies, and by incentivising the construction of new housing units and the refurbishment of existing ones. Moreover, the Council recommended that Czechia reduce overall reliance on fossil fuels, increase the deployment of renewables, streamline permit procedures and make grid access easier. Additionally, the Council recommended that Czechia increase the energy efficiency of district heating systems and of the building stock by incentivising deep renovations and renewable heat sources, easing administrative access to subsidies for both households and industry, and building capacity and improving skills in public authorities. Finally, the Council recommended that Czechia promote the uptake of zero-emission vehicles and boost the availability of high-capacity charging and refuelling infrastructure through new reforms, and that it step up policy efforts aimed at the provision and acquisition of the skills needed for the green transition.

(6) The submission of the modified RRP followed a consultation process, conducted in accordance with the national legal framework, involving local and regional authorities, social partners, civil society organisations, youth organisations and other relevant stakeholders. The summary of the consultations was submitted together with the modified national RRP. Pursuant to Article 19 of Regulation (EU) 2021/241, the Commission assessed the relevance, effectiveness, efficiency and coherence of the modified RRP, in accordance with the assessment guidelines set out in Annex V to that Regulation.

Updates based on Article 18(2) of Regulation (EU) 2021/241

(7) The modified RRP submitted by Czechia, updates nine measures to take into account the updated maximum financial contribution. Czechia has explained that, because the maximum financial contribution increased from EUR 7 070 103 059[1] to EUR 7 673 717 943[1], it has requested to use the additional available resources to add new components, as well as new measures to existing components, and to increase the level of required implementation of existing measures in order to increase the level of ambition or to compensate for inflation.

[1] This amount corresponds to the financial allocation after deduction of Czechia's proportional share of the expenses referred to in Article 6(2) of Regulation (EU) 2021/241, calculated in accordance with the methodology set out in Article 11 of that Regulation.

(8) The modified RRP contains new components: 1.7 (Digital Transformation of Public Administration), reform 1 under component 2.10 (Affordable Housing), 4.1 (Systemic support for public investment) and 5.3 (A strategically managed and internationally competitive R&D&I ecosystem). Component 1.7 (Digital Transformation of Public Administration) contains four measures: an investment to unify domains of public bodies and establish a learning platform; an investment to the management system of digitalised services; an investment to create a new public administration contact centre and an investment to create a central data infrastructure. Component 2.10 (Affordable Housing) contains one measure added on the basis of the increased allocation: a reform to increase the affordability of housing by adopting and implementing a modern and balanced legislative framework. Component 4.1 (Systemic support for public investment) contains four measures: a reform to provide methodological support for the preparation of projects in line with Union objectives; a reform to provide methodological support for and modernise public investment; a reform to financially support the preparation of projects in line with Union objectives; a reform to increase the effectiveness and enhance the implementation of the National Recovery and Resilience Plan. Component 5.3 (A strategically managed and internationally competitive R&D&I ecosystem) contains one measure: a reform including the strengthening of strategic intelligence capacities for research, development and innovation (R&D&I) policy in Czechia, the creation of an excellence programme, and the adoption of a methodological guideline for granting R&D&I support.

(9) The modified RRP contains new measures under components 2.9 (Promotion of Biodiversity and Fight Against Drought), 3.3 (Modernisation of Employment Services and Labour Market Development), and 5.2 (Support for Research and Development in Companies and Introduction of Innovations into Business Practice). These measures concern a reform aiming at the development of an integrated landscape management and planning, a reform to improve social care facilities for children at risk and an investment to develop and modernise the infrastructure in the field of care for children at risk; an investment to support R&D in enterprises in line with the national RIS3 strategy, an investment to support R&D in the field of transport, and an investment to support R&D in the environmental field.

(10) Furthermore, the modified RRP submitted by Czechia changes measures under components 1.2 (Digital Public Administration Systems), 2.2 (Reducing Energy Consumption in the Public Sector), 2.9 (Promotion of Biodiversity and Fight Against Drought), 3.2 (Adaptation of School Programmes), 3.3 (Modernisation of Employment Services and Labour Market Development) and 4.4 (Enhancing the Efficiency of Public Administration) to reflect the updated maximum financial contribution. In particular, the following have been changed to increase the level of required implementation compared to the original RRP in order to reflect the increased allocation: target 24 of investment 3 (Cybersecurity) under component 1.2 (Digital Public Administration Systems); target 109 of investment 3 (Improving the energy performance of public buildings) under component 2.2 (Reducing Energy Consumption in the Public Sector); milestone 179 and target 180 of investment 1 (Development of selected key academic sites) under component 3.2 (Adaptation of School Programmes); targets 189, 190 and 191 of investment 2 (Increasing the capacity of pre-school facilities); targets 196 and 197 of Investment 3 (Development and modernisation of social care infrastructure) under component 3.3 (Modernisation of Employment Services and Labour Market Development); and the new target 289 of reform 1 (Increase efficiency, pro-client orientation and use of the principles of evidence-based decision-making in public administration) under component 4.4 (Enhancing the Efficiency of Public Administration).

(11) The Council Implementing Decision of 8 September 2021 should be amended to take into account the above changes in the modified RRP.

Amendments based on Article 21 of Regulation (EU) 2021/241

(12) The amendments to the RRP submitted by Czechia because of objective circumstances concern 58 measures.

(13) Czechia has explained that seven measures are no longer totally achievable, because supply-chain disruptions have led to problems in their implementation, with an impact on the related milestones and targets. This concerns the following reforms and investments. Delays on the contractors' side have led to the need to postpone the implementation of milestone 21 of investment 2 (Developing core registries and facilities for eGovernment) under component 1.2 (Digital Public Administration Systems). Low interest from suppliers necessitates an extension of the deadline by one year of target 91 of investment 3 (Support for Railway infrastructure) under component 2.1 (Sustainable Transport). Supply-chain issues caused by the high demand for electrification of public transport in Europe have required that the implementation of target 116 of investment 1 (Building infrastructure for public transport in the city of Prague) under component 2.4 (Clean Mobility) be postponed by half a year. Supply-chain issues in the automotive industry have necessitated to change the priority from cargo e-bikes to e-bikes in and target 119 of investment 4 (Aid for purchase of vehicles – vehicles (electric, H2, bikes) for private companies) under component 2.4 (Clean Mobility). The worsening situation in the construction industry necessitates an extension of the deadline by one year of targets 137 and 138 of investment 3 (Land consolidation) under component 2.6 (Nature Protection and Adaptation to Climate Change).

Disruptions in the value chains of the construction sector caused by the war in Ukraine have necessitated an extension of the implementation deadline of targets 189, 190 and 191 of investment 2 (Increasing the capacity of pre-school facilities) and targets 194, 195, 196 and 197 of investment 3 (Development and modernisation of social care infrastructure) under component 3.3 (Modernisation of Employment Services and Labour Market Development). On this basis Czechia has requested that the implementation timeline of the aforementioned milestones and targets be extended, and that the priority from cargo e-bikes to e-bikes in target 119 be changed. The Council Implementing Decision of 8 September 2021 should be amended accordingly.

(14) Czechia has explained that 15 measures are no longer totally achievable in their original format because of high inflation. Due to price increases for mapping services and technical equipment, Czechia has requested that resources for reform 1 (Improving the environment for the deployment of electronic communications networks) under component 1.3 (High-capacity digital networks) be reallocated. Due to the rapid increase in prices of IT assets, Czechia has requested that the target 58 of investment 6 (5G Demonstrative application projects for cities and industrial areas) under component 1.4 (Digital Economy and Society, Innovative Start-ups and New Technology) be amended and reduced. Due to the increased cost of zero-emission vehicles, Czechia has requested that target 119 of investment 4 (Aid for purchase of vehicles – vehicles (electric, H2, cargo e-bikes) for private companies) under component 2.4 (Clean Mobility) be reduced.

High energy prices have resulted in lower demand for deep renovations and higher demand for replacement of the heating source, and to respond to the shifting demand Czechia has requested that targets 125 and 126 of investment 1 (Renovation and revitalisation of buildings for energy savings) under component 2.5 (Building renovation and air protection) be reduced. Due to increased costs in the construction sector, Czechia has requested that target 133 of investment 1 (Flood protection) under component 2.6 (Nature Protection and Adaptation to Climate Change) be reduced. Czechia has explained that the increased cost of construction has affected the implementation of a number of measures. This concerns target 39 of investment 1 (Building high-capacity connectivity), target 40 of investment 2 (Covering 5G corridors and promoting the development of 5G) and target 44 of investment 3 (Supporting the development of 5G mobile infrastructure in rural investment-intensive white areas) under component 1.3 (High Capacity Digital Networks); targets 103 and 104 of investment 1 (Improving the energy performance of state buildings) and target 108 of investment 3 (Improving the energy performance of public buildings) under component 2.2 (Reducing Energy Consumption in the Public Sector); targets 154 and 155 of investment 1 (Support for revitalisation of specific areas), and targets 156 and 157 of investment 2 (Support for the revitalisation of areas in public ownership for non-business use) under component 2.8 (Brownfields Revitalisation); target 163 of investment 2 (Rainwater management in urban agglomerations) under component 2.9 (Promotion of Biodiversity and Fight against Drought); milestone 179 and target 180 of investment 1 (Development of selected key academic sites) under component 3.2 (Adaptation of School Programmes);

and targets 194, 195 and 197 of investment 3 (Development and modernisation of social care infrastructure) under component 3.3 (Modernisation of Employment Services and Labour Market Development). On this basis, Czechia has requested that ambition for milestones and targets 39, 40, 44, 103, 104, 108, 133, 154, 155, 156, 157, 163, 179, 180, 194, 195, 197 be reduced. Czechia has also requested that the implementation deadline of targets 103 and 104 be extended. The Council Implementing Decision of 8 September 2021 should be amended accordingly.

(15) Czechia has explained that 17 measures are no longer totally achievable because unexpected legal or technical difficulties have led to the need to modify or abandon certain aspects of the measures in order to implement more appropriate or efficient solutions. To align the measure with the updated legal act, and in view of technical difficulties related to the IT implementation of the projects, Czechia has requested that the description of targets 5 and 6 of reform 2 (eHealth services) under component 1.1 (Digital Services to Citizens and Businesses) be amended. Despite government's ambition, there have been some delays in the adoption of the implementing act at Union level, which has caused delays in the implementation of milestone 7, while technical issues have led to severe delays in the implementation of milestone 8 and target 10 of investment 1 (Digital Services for end users) under component 1.1 (Digital Services to Citizens and Businesses). There have also been technical issues in the access of statistical data for milestone 11 of investment 2 (Development of open data and public data) under component 1.1 (Digital Services to Citizens and Businesses). Unforeseen technical difficulties in the implementation of the IT projects have led to the amendment of milestone 16 and the amendment and delay of target 19 of investment 1 (Developing and improving individual information systems) under component 1.2 (Digital Public Administration Systems).

The project envisioned in milestone 50 of investment 1 (European Centre of Excellence in AI 'for citizen's safety and security') under component 1.4 (Digital Economy and Society, Innovative Start-Ups and New Technology) has not been awarded the Seal of Excellence necessary for participating in the Union-wide network, and therefore the milestone has been removed. Due to delays at the Union-level programme, the number of supported companies has to be reduced to meet the Facility implementation timeline of milestone 55 and target 56 of investment 5 (European Blockchain Services Infrastructure (EBSI) – DLT bonds for SME financing) under component 1.4 (Digital Economy and Society, Innovative Start-Ups and New Technology). Due to the delayed approval of Union legislation on AI, it is necessary to postpone the deadline and amend the scope of milestone 64 and target 65 of investment 11 (Regulatory sandboxes in line with EU priorities) under component 1.4 (Digital Economy and Society, Innovative Start-Ups and New Technology). No research centres were awarded for projects envisioned in target 70 of investment 2 (European Reference Testing and Experimentation facility) under component 1.5 (Digital Transformation of Enterprises); Czechia has therefore requested that the description be amended and that research centres from the list of final beneficiaries be removed. Unforeseen factual and legal developments related to the energy price crisis have led to the need to postpone the deadline of the studies and reports which will be used to plan the Czech transition to clean energy sources; Czechia has therefore requested that the timeline of milestone 110 of reform 1 (Modernisation of distribution of heat in district heating systems) and milestone 111 of reform 2 (Modernisation of distribution of heat in district heating systems) under component 2.3 (Transition to Cleaner Energy Source) be postponed. Due to unexpected technical difficulties and clarification provided on the nature of the projects, Czechia has requested that the descriptions of the investment and of targets 132 and 133 of investment 1 (Flood protection), and of target 136 of investment 2 (Small watercourses and water reservoirs) under component 2.6 (Nature Protection and Adaptation to Climate Change) be amended.

Target 183 of investment 2 (Tutoring of pupils) under component 3.2 (Adaptation of School Programmes) and target 187 of investment 3 (Development of labour market policies) under component 3.3 (Modernisation of Employment Services and Labour Market Development) have been modified because of the tight labour market, a strong opposition to administrative burden and insufficient capacity of companies to train employees. Due to different absorption capacity than expected, Czechia has requested that the allocation to different types of projects supported in target 230 of investment 4 (Aid for research and development in synergy effects with the Framework Programme for Research and Innovation) under component 5.2 (Support for Research and Development in Companies and Introduction of Innovations into Business Practice) be changed. The operator explicitly mentioned in target 233 of investment 1 (Creation of the Intensive Medicine Simulation Centre and optimisation of the education system) under component 6.1 (Increasing Resilience of the Health System) is no longer able to provide the required services; Czechia has therefore requested that the name of the operator be removed. On this basis, Czechia has requested that milestones and targets 5, 6, 8, 10, 16, 55, 56, 70, 132, 133, 136, 183, 187, 230, 233 be amended, that the implementation timeline of milestones or targets 7, 55, 56, 110, 111, 133, 230 be extended, that target 133 be reduced and that e milestones 50 and 67 be removed. The Council Implementing Decision of 8 September 2021 should be amended accordingly.

(16) Czechia has explained that one measure is no longer totally achievable within their original timeline because the need to integrate Ukrainian refugees took priority for the Department for Asylum and Migration Policy, leading to significant delays in the implementation of the measure. This concerns target 17 of investment 1 (Developing and improving individual information systems) under component 1.2 (Digital Public Administration Systems). On this basis, Czechia has requested that the implementation timeline of the aforementioned target be extended. The Council Implementing Decision of 8 September 2021 should be amended accordingly.

(17) Czechia has explained that four measures have been modified because projects related to COVID-19 are no longer deemed as necessary. Due to the unforeseen end of the pandemic and swift economic rebound, there is no longer demand for the measures in milestone 8 of investment 1 (Digital services for end-users**)** under component 1.1 (Digital services to citizens and businesses); target 53 of investment 3 (Transfer of foreign good practices and know-how for digital transformation monitoring and research on the socio economic effects of the crisis (Samuel Neaman Institute)), target 54 of investment 4 (SME Management Training Platform for post-COVID-19 Digital Transformation) and target 59 of investment 7 (Czech Rise-Up Programmes) under component 1.4 (Digital Economy and Society, Innovative Start-Ups and New Technology). On this basis, Czechia has requested that COVID-related projects under milestone 8 be replaced with more suitable alternatives, that targets 53 and 54 be removed, and that the ambition of target 59 be reduced and that the description of target 59 be amended. The Council Implementing Decision of 8 September 2021 should be amended accordingly.

(18) Czechia has explained that 15 measures have been modified to implement better alternatives in order to achieve the original ambition of the measure. Target 12 of investment 2 (Development of open data and public data) under component 1.1 (Digital Services to Citizens and Businesses) can be implemented at an earlier stage. Milestone 28 of reform 2 (Development of systems supporting eHealth) under component 1.2 (Digital Public Administration Systems) has been amended to account for synergies in the implementation of the IT project which derives from the merging of regional sanitation offices into one. Target 41 of investment 2 (Covering 5G corridors and promoting the development of 5G) under component 1.3 (High Capacity Digital Networks) has been amended to reflect a more accurate technical term, which translates into the equipment of train sets rather than single wagons, thus leading to a more efficient solution. Under component 1.4 (Digital Economy and Society, Innovative Start-Ups and New Technology), milestone 47 of reform 1 (Institutional reform of the system of management for digital transformation including RIS 3 strategy) has been amended since the objective can be achieved more efficiently and with less resources by using the knowledge source of the group members, milestone 48 and target 49 of reform 2 (Joint Strategic Technologies Support and Certification Group with the Strategic Technologies Board) have been amended to achieve the same objective with better alternatives by better disseminating information and providing training on certification processes in line with market needs, and milestone 61 and target 62 of investment 9 (Funds for the development of pre-seed investments, strategic digital technologies and university spin-offs) have been amended to better align the aid intensity and the structure with the nature of the venture capital investments. Target 71 of investment 3 (Digital transformation of manufacturing and nonproduction companies and increase of their resilience) under component 1.5 (Digital Transformation of Enterprises) can be achieved with a lower allocation, as the requested aid intensity was lower than originally envisaged.

Milestone 73 and target 74 of reform 1 (Implementation of the new construction law and zoning law into practice) and milestone 75 of investment 1 (Creation of a new central information system ("AIS")) under component 1.6 (Acceleration and Digitalisation of the Building Process) have been amended to reflect the new structure of building authorities, which is better than just one Supreme Construction Office. Target 106 of investment 2 (Improving the energy performance of public lighting systems) under component 2.2 (Reducing Energy Consumption in the Public Sector) has been amended since the same amount of energy savings can be achieved more efficiently by prioritising bigger, more expensive projects. Milestone 148 and target 149 of investment 1 (Building recycling infrastructure) under component 2.7 (Circular economy, recycling and industrial water) have been amended to take into account the support to be provided to farmers to ensure incorporation of compost into the soil and to improve circular economy in the field of biodegradable waste management. Target 153 of investment 3 (Water saving in industry) under component 2.7 (Circular Economy, Recycling and Industrial Water) has been amended as the target has been reached in a more cost-effective way. Targets 158 and 159 of investment 3 (Support for the revitalisation of areas in public ownership for business) under component 2.8 (Brownfields Revitalisation) have been amended to clarify requirements and better respond to local needs. Target 228 of investment 2 (Support for research and development cooperation (in line with Smart Specialisation Strategy)) and target 229 of investment 3 (Aid for research and development in the environmental field) under component 5.2 (Support for Research and Development in Companies and Introduction of Innovation into Business Practice) have been amended to support more projects and small and medium-sized enterprises (SMEs).

On this basis, Czechia has requested that milestones and targets 12, 28, 40, 41, 47, 48, 49, 61, 62, 71, 73, 74, 117, 119, 148, 149, 153, 158, 159, 228, 229 be amended, that target 62 be removed that the implementation timeline of milestones and targets 61, 73, 75, 148, 194, 195 be extended, that the ambition of targets 228 and 229 be increased and that the number of projects be reduced while increasing their relative size for target 106. Target 68 does not require any changes; however, its costing has been reduced. The Council Implementing Decision of 8 September 2021 should be amended accordingly.

(19) Czechia has further requested to use the remaining resources freed up by the removal or revision of measures under Article 21 of Regulation (EU) 2021/241 to increase the ambition of existing measures and to add new measures to the original RRP. The increased ambition concerns the following four measures. To match the high interest from applicants Czechia has requested that the allocation to target 46 of investment 4 (Scientific research activities related to the development of 5G networks and services) under component 1.3 (High Capacity Digital Networks) be increased. In order to maintain the ambition of the RRP on the digital transformation of the economy, Czechia has requested that a new milestone for investment 2 (European Digital Media Observatory Hub (EDMO)) under component 1.4 (Digital Economy and Society, Innovative Start-ups and New Technology) be added. To compensate for the reduction in the number of buildings renovated under target 108 and to keep the ambition level on reduction in energy consumption, Czechia has requested that the ambition target 109 of investment 3 (Improving the energy performance of public buildings) under component 2.2 (Reducing Energy Consumption in the Public Sector) be increased. To match the increased demand from households for replacements of heating sources, Czechia has requested the allocation and ambition of targets 127, 128 and 129 of investment 2 (Replacement of stationary sources of pollution in households with renewable) under component 2.5 (Building Renovation and Air Protection) be increased. The Council Implementing Decision of 8 September 2021 should be amended accordingly.

(20) Czechia has brought to the Commission's attention that the project envisioned in milestone 67 of investment 13 (Support to R & I in aviation industry) under component 1.4 (Digital Economy and Society, Innovative Start-Ups and New Technology) started before the eligibility period of the Facility. Therefore, the Commission proposes to remove the milestone. The Council Implementing Decision of 8 September 2021 should be amended accordingly.

(21) The Commission considers that the reasons put forward by Czechia justify the update pursuant to Article 18(2) of Regulation (EU) 2021/241 and the amendment pursuant to Article 21(2) of that Regulation.

(22) The distribution of milestones and targets in instalments should be amended to take into account the new allocation, the amendments to the RRP and the indicative timeline presented by Czechia.

Corrections of clerical errors

(23) Forty clerical errors have been identified in the text of the Council Implementing Decision of 8 September 2021, affecting 23 milestones/targets and 17 measures. The Council Implementing Decision of 8 September 2021 should be amended to correct those clerical errors that do not reflect the content of the RRP submitted to the Commission on 9 June 2022, as agreed between the Commission and Czechia. Those clerical errors relate to the description of reform 1 (Conditions for quality data pool management and ensuring controlled data access), under component 1.1 (Digital services to citizens and businesses); description of reform 1 (Centres of competence for supporting eGovernment, Cybersecurity and eHealth), descriptions of investment 1 (Development of information systems) and investment 3 (Cybersecurity); target 19 of investment 1 (Development of information systems), unit of measure of target 31 of investment 5 (Creating the conditions for digital justice) under component 1.2 (Digital public administration systems); target 49 of reform 2 (Joint strategic technologies support and certification group with the Strategic Technologies Board); target 59 of investment 7 (Czech Rise-Up Programmes); target 65 of investment 11 (Digital regulatory sandboxes in line with EU priorities) under component 1.4 (Digital economy and society, innovative start-ups and new technology); target 70 of investment 2 (European Reference Testing and Experimentation facility) under component 1.5 (Digital transformation of enterprises); description of investment 2 and target 117 (Building infrastructure – Recharging points for private companies) under component 2.4 (Clean Mobility);

description of investment 4 (Building forest resilient to climate change) under component 2.6 (Nature protection and adaptation to climate change) and related milestones 139, 140, 141 and the description of investment 5 (Water retention in forest) and of targets 142 and 143 under the same component 2.6 (Nature protection and adaptation to climate change); description of investment 1 (Protection against droughts and floods of the city of Brno), milestone 162 under component 2.9 (promotion of biodiversity and fight against drought),; description of Investment 3 (Protected areas including Natura 2000 sites and protected species of plants and animals) and related milestone 164 under component 2.9 (Promotion of biodiversity and fight against drought); milestone 169 of reform 1 (Curricula reform and strengthening of IT education) under component 3.1 (Innovation in Education in the Context of Digitalisation); correction of typos in measure and milestone descriptions under component 4.3 (Anti-corruption reforms); target 225 of investment 1 (Public Research & Development support for priority areas of medical sciences and related social sciences) under component 5.1 (Excellent Research and Development in the Health Sector); investment 1 (Creation of the Intensive Medicine Simulation Centre), investment 2 (Rehabilitation care for patients recovering from critical condition) and investment 3 (Building a centre for cardiovascular and transplant medicine) under component 6.1 (Increasing Resilience in the Health System); measure and target descriptions of investment 1 (Establishment of the Czech Oncology Institute), investment 2 (Developing highly specialised oncological and hematooncological care) and investment 3 (Establishment and development of the Centre for Cancer Prevention and Infrastructure for Innovative and Supportive Care at the Masaryk Memorial Institute) under component 6.2 (The National Plan to Strengthen Oncological Prevention and care). These corrections do not affect the implementation of the measures concerned.

The REPowerEU chapter based on Article 21c of Regulation (EU) 2021/241

(24) The REPowerEU chapter includes 15 new reforms and seven new investments. The investments on grid modernisation (component 7.1) aim to reinforce the electricity distribution networks and make it ready for the increase development of renewable energy sources. Three reforms aim at streamlining and increasing transparency of the grid connection process for renewable generation assets, introducing new grid tariffs (component 7.1), and establishing a legal framework for energy communities, electricity sharing, data exchange, energy storage, aggregation and flexibility (component 7.2). Two reforms seek to simplify the decision-making process on renewables by designating RES acceleration areas and implementing a single environmental opinion for renewable energy projects (component 7.7). The reforms and investments in clean mobility support the decarbonisation of road transport (component 7.5) by introducing incentives for the uptake of zero-emissions vehicles and simplifying the permitting rules for the construction of charging stations and hydrogen refuelling stations. The comprehensive reform of the advisory services for the renovation wave (component 7.3) aims to increase the number and quality of residential renovation projects. It will support the fight against energy poverty by increasing the number and quality of residential energy-efficiency renovation projects, especially for low- and middle-income households. Czechia also reported that it is using resources from its national budget and the Modernisation Fund to fund targeted programmes addressing energy poverty and energy efficiency investments. The reforms and investments in promoting green skills and sustainability in universities (component 7.4) aim to modernise the learning offer in public universities by creating new study programmes, courses, and lifelong learning opportunities focused on green skills.

(25) The REPowerEU chapter also includes two scaled-up measures. The first one affects one measure under component 2.3.1 (Development of new photovoltaic energy sources). This scaled-up measure included in the REPowerEU chapter introduce a substantive improvement in the level of ambition of the measures already included in the national RRP. The second scaled-up measure affects one measure under component 2.4.4 Investment Aid for purchase of vehicles – vehicles (electric, H2, cargo e-bikes) for private companies. This scaled-up measure included in REPowerEU compensates for inflation reduction in the original measure and increases the number of zero-emission cars and vans supported by the investment.

(26) The Commission has assessed the modified RRP including the REPowerEU chapter against the assessment criteria laid down in Article 19(3) of Regulation (EU) 2021/241.

Loan request based on Article 14 of Regulation (EU) 2021/241

(27) The modified RRP submitted by Czechia includes a request for loan support to support eight new additional measures.

(28) The modified RRP contains one new component: 2.10 (Affordable Housing). Component 2.10 contains an investment in loan facility for the provision of concessional loans to projects that contribute to increasing the availability of affordable and energy-efficient rental housing, an investment in a loan facility for the provision of subordinated loans to projects that contribute to increasing the availability of affordable and energy-efficient rental housing, and an investment in a public-private co-investment fund aiming to improve access to finance for affordable housing projects.

(29) Additionally, the modified RRP contains new measures under existing components: 1.1 (Digital Services to Citizens and Businesses), 1.2 (Digital Public Administration System), 1.4 (Digital Economy and Society, Innovative Start-ups and New Technology) and 1.5 (Digital Transformation of Enterprises). These measures concern an investment in digital services for end-users in the social area, an investment in cybersecurity, and an investment to develop information systems in the social area; an investment in strategic technologies; and an investment to provide support to companies participating in the important project of common European interest concerning microelectronics and communication technologies (IPCEI ME/CT).

(30) The Commission has assessed the modified RRP including the REPowerEU chapter against the assessment criteria laid down in Article 19(3) of Regulation (EU) 2021/241.

Balanced response contributing to the six pillars

(31) In accordance with Article 19(3), point (a), of and Annex V, criterion 2.1, to Regulation (EU) 2021/241, the modified RRP including the REPowerEU chapter represents to a large extent (rating A) a comprehensive and adequately balanced response to the economic and social situation, thereby contributing appropriately to all of the six pillars referred to in Article 3 of that Regulation, taking into account the specific challenges faced by and the financial allocation for the Member State concerned.

(32) The initial RRP provided a comprehensive and balanced response to the economic and social situation, thereby contributing to all of the six pillars referred to in Article 3 of Regulation (EU) 2021/241, taking the specific challenges and the financial allocation of Czechia into account. The initial RRP included a set of reforms and investments focusing on key areas such as digitalisation, the green transition, education and training, access to financing, culture, research and innovation, and healthcare.

(33) The update of the RRP, including both modifications of existing components and newly added measures, comes to further strengthen the coverage of several pillars. In order to assure a heightened response to the economic and social situation, the updated RRP makes use of both the additional grant allocation available and loans. The updated RRP further addresses the green transition thanks to the addition of the REPowerEU chapter, including measures for improving the electricity distribution networks, energy renovation support or electrification of railways. The digital transformation is addressed with the update of components covering the digitalisation of public administration systems (Component 1.1 and 1.2), the development of high-capacity digital networks (Component 1.3) and the digital transformation of public administration (Component 1.7). The social and territorial cohesion is further covered by the new component addressing affordable housing (Component 2.10). The pillar of smart, sustainable & inclusive growth is addressed in the update of the component providing support for research and development (Component 5.2) in companies. Policies for the next generation are addressed in a new measure supporting children at risk as well as a new component on affordable housing (Component 2.10). Finally, health and economic, social and institutional resilience are addressed in the new components targeting affordable housing (Component 2.10) and systemic support for public investment (Component 4.1).

Addressing all or a significant subset of challenges identified in country-specific recommendations

(34) In accordance with Article 19(3), point (b), of and Annex V, criterion 2.2, to Regulation (EU) 2021/241, the modified RRP including the REPowerEU chapter is expected to contribute to effectively addressing all or a significant subset of challenges (rating A) identified in the relevant country-specific recommendations addressed to Czechia, including fiscal aspects thereof, or challenges identified in other relevant documents officially adopted by the Commission in the context of the European Semester.

(35) In particular, the modified RRP takes into account country-specific recommendations formally adopted by the Council prior to the assessment of the modified RRP by the Commission. As the maximum financial contribution for Czechia has been adjusted upwards and as the size of the RRP increased following an additional loan request intended to be used not exclusively for REPowerEU objectives, all 2022 and 2023 structural recommendations are considered in the overall assessment.

(36) The modified RRP includes an extensive 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 context of the European Semester in 2022 and 2023. In particular, the REPowerEU chapter, with EUR 735.5 million of estimated costs, is expected to contribute to preserving public investment for the green transition and for energy security (2022 recommendation 1.2 and 2023 recommendation 1.3).

New measures proposed under Component 2.10 contribute in addition to improving the provision of social and affordable housing (2022 recommendation 3 and 2023 recommendation 3) by introducing a reform through the Housing Act and an investment implemented via a financial instrument that is expected to boost the supply of rental housing units at affordable prices. Investments in grid modernisation and digitalisation (Component 7.1), legislative reforms (LEX RES 2 and LEX RES 3) under Component 7.2 establishing frameworks for energy communities, electricity sharing, data exchange, energy storage, aggregation and flexibility, the designation of acceleration areas for renewable energy generation and the reform on the simplification of the single environmental opinion, as well as investments for the construction of new photovoltaic installations under the existing Component 2.5 are expected to reduce overall reliance on, and consumption of fossil fuels by accelerating the deployment of renewables, including through further streamlining permit procedures and making grid access easier (2022 recommendation 4.2, 2023 recommendation 4.2 and 2023 recommendation 4.3). Furthermore, the comprehensive reform of the advisory system for energy efficiency renovations is expected to contribute to increasing the energy efficiency of the building stock by increasing the quality and number of deep renovations projects and the installation of renewable heat sources (2023recommendation 4.4). Finally, 5 reforms and 1 investment in Component 7.5 are expected to contribute to incentivising the uptake of zero-emission road transport and sustainable transport infrastructure (2023 recommendation 4.5).

(37) Many of the new measures are expected to further address those country specific recommendations that are already targeted by the initial RRP. Additional measures that focus on strengthening the R&D ecosystem and supporting research and development in companies and introduction of innovations into business practice are expected to address the 2020 recommendation 3.8 to ensure access to finance for innovative firms and improve public-private cooperation in research and development and 2019 recommendation 3.6 to remove the barriers hampering the development of a fully functioning innovation ecosystem. Moreover, a new Component 4.1 is expected to support the administrative capacity for the implementation of the RRP and address the 2020 recommendation 3.3 to front-load mature public investment projects and CSR 3.4 2019 to reduce the administrative burden on investment, as well as 2019 recommendation 3.5 to support more quality-based competition in public procurement. Finally, several new digital measures aim at extending online services for the implementation of social policies. They include digital services for end users in the social area, development information systems in social area, and the IPCEI ME/CT. They are expected to address the 2020 recommendation 3.2 to improve e-government.

(38) Although Czechia has revised some of the measures in the original RRP by reducing their ambition due to objective circumstances (digital economy and digital transformation of enterprises), this is counterbalanced by scaling up other measures supporting especially public administration information systems or digitalisation of enterprises. Therefore, taking into consideration the reforms and investments envisaged by Czechia, its modified RRP is expected to contribute to effectively addressing all or a significant subset of challenges identified in the country-specific recommendations.

Contribution to growth potential, job creation and economic, social and institutional resilience

(39) In accordance with Article 19(3), point (c), of and Annex V, criterion 2.3, to Regulation (EU) 2021/241, the modified RRP including the REPowerEU chapter is expected to have a high impact (rating A) on strengthening the growth potential, job creation, and economic, social and institutional resilience of Czechia, 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.

(40) The initial assessment of the RRP, in accordance with Article 19(3), point (c), of and Annex V, criterion 2.3, to Regulation (EU) 2021/241 found that the RRP is expected to have a high impact on strengthening the growth potential, job creation, and economic social and institutional resilience of Czechia, on 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 withing the Union. (rating A).

(41) The updated RRP is expected to further contribute to economic growth and job creation in Czechia and further boost the capacity of the Czech economy to respond to the new economic challenges. The updated RRP addresses several vulnerabilities of the economy, including the over-reliance on fossil fuels, the limited affordability of housing, the stretched public administration capacity, skills mismatches and the low levels of R&D funding in the economy.

(42) The updated RRP provides further financial and non-financial support to SMEs, large enterprises and projects, enabling them to participate in green and digital transition, investments into transport and increases the support granted for improving the research and innovation ecosystem. It also provides further support for green transition, increases the support for renewables and the capacity of the power grid to connect the new renewable sources, thus helping in lowering the reliance on fossil fuels. A new component on affordable housing also aims to increase access to housing for the most vulnerable. The skill mismatches and shortages of the labour market are further addressed by measures targeting revision of curricula and upskilling and reskilling actions, whereas the low labour market participation of women with small children is continuously addressed by increasing the capacity of childcare facilities. Further support for the use of e-government services and addressing the challenges faced by the public administration in better responding to the new economic challenges and opportunities is also provided through expansion of existing measures targeting digital government services or a new component to support public investment.

(43) The RRP 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 support of affordable housing is expected to mitigate a wide variety of related societal issues, including the situation of children at risk. 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 is expected to help address inequalities in education. Increasing pre-school education and training capacities is expected to 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.

(44) 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 buildings of low-income families is expected to decrease energy poverty and reduce the costs of green investment. The social needs of the vulnerable are also to be supported by easier access to health screening programmes and by increased capacity in social care and investment in social care infrastructure, in particular for children at risk.

Do no significant harm

(45) In accordance with Article 19(3), point (d), of and Annex V, criterion 2.4, to Regulation (EU) 2021/241, the modified RRP including the REPowerEU chapter is expected to ensure that no measure for the implementation of reforms and investments projects included in this RRP does significant harm to environmental objectives (rating A) within the meaning of Article 17 of Regulation (EU) 2020/852 of the European Parliament and of the Council[1] (the principle of 'do no significant harm').

(46) Changes introduced in the new or updated measures through revision of the RRP do not affect the positive assessment carried out for the initial version of the RPP.

[1] 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).

(47) For each reform and investment included in the new REPowerEU chapter, Czechia provided a systematic assessment of each measure against the principle of 'do no significant harm' following the methodology set out in the technical guidance provided in the Commission Notice entitled 'Technical guidance on the application of "do no significant harm" under the Recovery and Resilience Facility Regulation'[1]. The assessment concludes that for all modified measures, there is either no risk of significant harm or, where a risk is identified, a detailed assessment is conducted demonstrating the absence of significant harm.

Contribution to the REPowerEU objectives

(48) In accordance with Article 19(3), point (da), of and Annex V, criterion 2.12, to Regulation (EU) 2021/241, the REPowerEU chapter is expected to effectively contribute to a large extent (rating A) to energy security, the diversification of the Union's energy supply, an increase in the uptake of renewables and in energy efficiency, an increase of energy storage capacities or the necessary reduction of dependence on fossil fuels before 2030.

(49) The implementation of the measures included in the REPowerEU chapter is expected to contribute in particular to supporting the objectives set out in Article 21c(3), points (b), (c), (d), (e) and (f), of Regulation (EU) 2021/241.

[1] OJ C 58, 18.2.2021, p. 1.

(50) The reform on renewable generation permitting (component 7.1) aims to accelerate the permit-granting procedures for wind and solar projects and remove administrative barriers by introducing digital procedures and a single digital one stop shop. The creation of acceleration areas for wind and solar energy (component 7.7) combined with the reform of the single environmental opinion (component 7.7) is expected to significantly facilitate the deployment of wind and solar generation installations across Czech Republic while providing needed visibility for project developers, municipalities, citizens engaged in renewable generation projects, thereby creating conditions for increasing the share of renewables in Czechia's energy mix, in line with Article 21c(3), point (b) of Regulation (EU) 2021/241.

(51) The new regulatory framework for energy storage and flexibility assets (component 7.2) aims to support the uptake of electricity storage capacities and the development of flexibility assets that will contribute to the stability of the network, thereby supporting immediate security of supply in line with Article 21c(3), point (e), of Regulation (EU) 2021/241. The investment into the modernisation and digitalisation of the electricity distribution networks (component 7.1) aims to increase the capacity of distribution networks to enable the secure operation of the electricity system, while meeting the high demand for connecting renewable energy sources. This investment contributes to the REPowerEU objective of addressing internal electricity transmission distribution bottlenecks and accelerating the integration of renewable energy, in accordance with Article 21c(3), point (e), of Regulation (EU) 2021/241. It is combined with reforms (component 7.1) to lift barriers towards in grid connection process and to increase the transparency of the available grid capacity. This reform is expected to accelerate connection and more transparent connection schedule to the benefit to customers, renewable energy producers and individual consumers owning roof top solar installations, thereby incentivising the use of small-scale installations.

(52) The investment in rail electrification is expected to provide electrified line for track Brno-Zastávka u Brna (component 7.6), thereby supporting zero-emission transport and its infrastructure in line with Article 21 (3), point (e), of Regulation (EU) 2021/241.

(53) The reforms in road transport decarbonisation (component 7.5) contribute to increasing the uptake of zero-emission road vehicles in Czechia. The reforms address the REPowerEU objective of supporting zero emission transport and its infrastructure, in line with Article 21c (3), point (e), of Regulation (EU) 2021/241. The reforms are expected to align Czechia with the Union's Green Deal legislation, set out targets and trajectories for the deployment of zero-emission vehicles and relevant charging infrastructure and hydrogen refuelling infrastructure, provide enabling conditions for the growth of zero-emission mobility and renewable hydrogen economy such as tax measures and support schemes, and increase in the costs and structure of highway vignettes so as to provide greater cost benefit for operating zero-emission light-duty vehicles. The reforms are combined with a scale-up of existing measure under component 2.4, which aims to increase the number of zero-emission vehicles deployed by businesses in Czechia.

(54) The REPowerEU chapter addresses energy poverty in line with the objective set out in Article 21c(3), point (c), of Regulation (EU) 2021/241. The extensive reform of the advisory services for the renovation wave (component 7.3) aims to increase the number and quality of residential renovation projects, especially for vulnerable households. The improved advisory services aim to help households prepare their renovation projects and apply for available funding to implement the projects. The planned awareness-raising campaign aims to improve awareness of energy poverty and behavioural changes which can help increase energy efficiency.

(55) The REPowerEU chapter contains measures which aim to increase energy efficiency in line with Article 21c(3), point (b), of Regulation (EU) 2021/241. The comprehensive reform of advisory services (component 7.3) is expected to contribute to improve the quality of renovations and target the most suitable investments in energy efficiency renovations of residential and public buildings. Other measures will provide investments for training professionals for the Renovation Wave, and set up one-stop-shops for energy communities. It aims to contribute to reducing the energy demand in the building sector.

(56) The reform on universities curriculum together with two investments (component 7.4), addresses the REPowerEU objective on the acceleration of workforce requalification towards green skills, in accordance with Article 21c(3), point (f), of Regulation (EU) 2021/241. The reform aims to update the current education and training programmes to reflect the needs for green skills in the labour market. Investments aim to enable at least 20 public universities to adopt new Sustainable and Green Transition Strategies containing vision, priority areas, principles and expand their learning offer on green skill education by concluding strategic partnerships with third parties.

(57) The REPowerEU chapter is consistent with Czechia's commitment to increasing the deployment of renewable energy and to reducing reliance on fossil fuel. The measures reinforce those included in the original RRP on energy efficiency, the deployment of renewable energy generation and the decarbonisation of transport.

Measures having a cross-border or multi-country dimension or effect

(58) In accordance with Article 19(3), point (db), of and Annex V, criterion 2.13, to Regulation (EU) 2021/241, the measures included in the REPowerEU chapter are expected to a large extent (rating A) to have a cross-border or multi-country dimension or effect.

(59) The reforms and investments in modernisation (7.1) and digitalisation of the electricity grid (7.2) and simplifying the decision-making process on renewables by designating renewable acceleration areas (7.7) and implementing a single environmental opinion for renewable projects aim to contribute to the production and integration of renewable energy into the network and therefore secure the energy supply in the Union as a whole.

(60) The reforms concerning advice with regard to energy efficiency renovations aim to indirectly contribute to reducing energy demand and to reducing the dependency on fossil fuels.

(61) The total costs of the measures with a cross-border dimension account for 82,4 % of the estimated costs of the REPowerEU chapter.

(62) The high share of estimated costs with a cross-border dimension together with the fact that the measures in the REPowerEU chapter contribute to both securing the energy supply and reducing energy demand and dependence on fossil fuels justify the choice of rating A.

Contribution to the green transition including biodiversity

(63) In accordance with Article 19(3), point (e), of and Annex V, criterion 2.5, to Regulation (EU) 2021/241, the modified RRP including the REPowerEU chapter, 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 42.9 % of the RRP's total allocation and 99 % of the total estimated costs of measures in the REPowerEU chapter calculated in accordance with the methodology set out in Annex VI to Regulation (EU) 2021/241. In accordance with Article 17 of that Regulation, the modified RRP including the REPowerEU chapter is consistent with the information included in the National Energy and Climate Plan 2021-2030.

(64) The revised measures maintain the overall ambition of the RRP regarding the green transition, and the REPowerEU chapter makes a significant contribution to further supporting the green transition in Czechia as the new reforms and investments aim to hasten the modernisation of the electric grid, the decarbonisation of road transport, and the take-up of renewable energy sources. The chapter also includes measures aiming to improve the energy efficiency of the building stock (component 7.3) and develop new green skills opportunities at universities (component 7.4).

(65) The modified Czech RRP, including the REPowerEU chapter, continues to significantly contribute to the green transition, including biodiversity, as well as to the achievement of the Union 2030 climate targets while complying with the objective of EU climate neutrality by 2050. In the REPowerEU chapter, Czechia puts an emphasis on supporting the development of renewable energy sources by designating RES acceleration areas (component 7.7), simplifying RES procedures (component 7.1), while also preparing the electric grid to increase its connectivity capacity. These measures jointly contribute to incentivise the take-up of renewables and strengthen energy security. The REPowerEU chapter also contributes to improving the energy efficiency of the building stock and decarbonisation road transport by lowering energy demand and reduce dependence on fossil fuels.

Contribution to the digital transition

(66) In accordance with Article 19(3), point (f), of and Annex V, criterion 2.6, to Regulation (EU) 2021/241, the modified RRP contains measures that contribute to a large extent to the digital transition or to addressing the challenges resulting from it. The measures supporting digital objectives account for an amount which represents 22,8 % of the modified RRP's total allocation calculated in accordance with the methodology set out in Annex VII to Regulation of Regulation (EU) 2021/241.

(67) The modification of the RRP maintains its ambition towards the digital transition. The modified RRP continues to significantly contribute to the digital transition of businesses, infrastructure, and public administration, and to fostering digital skills of the workforce, the pupils and the general population, with an expected lasting impact. The new reforms and investments will accelerate the digitalisation of public administration and provide financing for start-up technology companies and projects promoting research and innovation in microelectronics. In total, the modified RRP includes 52 investments and reforms included in the calculation of the digital target, amounting to EUR 1 936 122 562 of digital contribution.

Lasting impact

(68) In accordance with Article 19(3), point (g), of and Annex V, criterion 2.7, to Regulation (EU) 2021/241, the modified RRP including the REPowerEU chapter is expected to have a lasting impact on Czechia to a large extent (rating A).

(69) The initial assessment of the RRP, in accordance with Article 19(3), point (g), of and Annex V, criterion 2.7, to Regulation (EU) 2021/241 found that the RRP was expected to have a lasting impact on Czechia to a large extent (rating A).

(70) The modified RRP does not reduce the ambition of the initial RRP as a whole. It takes into account the prolonged impact of the COVID-19 crisis, inflation and supply-chain disruptions, as well as some unexpected legal and technical difficulties or the availability of better alternatives for the implementation of some measures by modifying measures in accordance with Article 21(2) of Regulation (EU) 2021/241. The modified RRP also includes new and scaled-up measures as a result of the increase of the financial contribution and the limited take up of loans and includes a new REPowerEU chapter. These additional measures, together with the existing measures, are expected to have lasting positive effects on the Czech economy and further boost its green and digital transitions. In particular, the REPowerEU reforms are expected to modernise and digitise the electricity grid, simplify permitting procedures and decision-making for renewable energy sources, decarbonise road transport, improve the energy efficiency of the building stock, and promote green skills in universities. Other new reforms in the modified RRP aim to strengthen administrative capacity, improve the R&D ecosystem and support children's development.

(71) These reforms are accompanied by investments that would ensure their lasting impact. The modified RRP introduces investments in cybersecurity and the modernisation of the public administration, supporting development of microelectronics under the IPCEI ME/CT, R&D projects in the environmental field and in the field of transport, as well as by stimulating private investments with a venture capital fund for strategic technologies. The REPowerEU chapter contains investments which aim to hasten the development and take-up of renewable energy.

Monitoring and implementation

(72) In accordance with Article 19(3), point (h), of and Annex V, criterion 2.8, to Regulation (EU) 2021/241, the arrangements proposed in the modified RRP including the REPowerEU chapter are adequate (rating A) to ensure effective monitoring and implementation of the RRP, including the envisaged timetable, milestones and targets, and the related indicators.

(73) The arrangements proposed by Czechia in the initial RRP were considered the minimum (rating B) necessary to ensure effective monitoring and implementation of the RRP and complemented by reinforcing measures to address remaining weaknesses regarding the prevention, detection and correction of conflicts of interest through a set of dedicated milestones to be fulfilled before the first payment request. All these milestones were subsequently fulfilled and positively assessed by the Commission as part of the first payment request. Therefore, following the implementation of those arrangements, rating A is warranted under this assessment criterion.

(74) The nature and extent of the proposed modifications to Czechia's RRP have also an impact on the previous assessment of the effective monitoring and implementation of the RRP. The milestones and targets that accompany the modified measures, including those in the REPowerEU chapter, are clear and realistic and the proposed indicators for those milestones and targets are relevant, acceptable and robust. In addition, the introduction of dedicated support measures to strengthen the administrative capacity and, in particular, the staffing of the authorities responsible for implementing the Facility under the new Component 4.1 'Systemic support for public investment' is expected to improve the effective monitoring and implementation of the RRP.

Costing

(75) In accordance with Article 19(3), point (i), of and Annex V, criterion 2.9, to Regulation (EU) 2021/241, the justification provided in the modified RRP including the REPowerEU chapter on the amount of the estimated total costs of the RRP 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.

(76) For the costing assessment of the original RRP in 2021, Czechia provided estimates relying on appropriate justification, evidence and methodology for the majority of the costs of the measures included in the RRP. Costing information and supporting documents were provided to a medium extent. There were no indications that the overall reasonability, plausibility and additionality of the cost estimates would be impaired. The estimated total cost of the RRP was in line with the principle of cost-efficiency and was commensurate to the expected national economic and social impact.

(77) Czechia has provided individual cost estimates for most of the modified and new investments and reforms with an associated cost included in the updated RRP, relying on a number of sources to justify them. For the updated measures, the update is based either on adjustments of the unit costs due the effect of the high inflation in the sector, or on the results of tenders conducted for current similar projects or even of the results of the tenders for the exact same project where its implementation has already started. For the newly introduced measures, the costs have been calculated using bottom-up approaches, with reference to market prices or prices of similar units in past investments for the key cost drivers, or from costs estimates derived from the costing data of similar investments carried out. As a result, cost estimates for most of the measures in the RRP are deemed reasonable. The amount of the estimated total costs of the RRP is in line with the nature and type of the envisaged reforms and investments. As a result, cost estimates for most of the measures in the RRP are deemed plausible. Czechia has provided sufficient information and evidence that the amount of the estimated total costs is not covered by existing or planned Union financing. Finally, the estimated total cost of the RRP is in line with the principle of cost-efficiency and commensurate to the expected national economic and social impact.

Protection of the financial interests of the Union

(78) In accordance with Article 19(3), point (j), of and Annex V, criterion 2.10, to Regulation (EU) 2021/241, the arrangements proposed in the modified RRP including the REPowerEU chapter and the additional measures contained in this Decision are adequate (rating A) to prevent, detect and correct corruption, fraud and conflicts of interest 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 Union law, including for preventing, detecting and correcting corruption, fraud and conflicts of interest, and for protecting the Union budget in line with Regulation (EU, Euratom) 2020/2092 of the European Parliament and of the Council[1].

[1] Regulation (EU, Euratom) 2020/2092 of the European Parliament and of the Council of 16 December 2020 on a general regime of conditionality for the protection of the Union budget (OJ L 433 I, 22.12.2020, p. 1).

(79) Although the description of the internal control system and other arrangements to prevent, detect and correct conflict of interest was acceptable and the Commission proposed its positive assessment to the Council when the original RRP was submitted, additional milestones were set requiring, inter alia, a dedicated audit on the effectiveness of the internal control system to be undertaken by the national audit body, 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 of the European Parliament and of the Council[1] and the issuance of a guidance by the coordinating body on the avoidance and management of conflict of interest under Regulation (EU) 2018/1046 of the European Parliament and of the Council[2] and applicable national law. All these milestones were fulfilled and positively assessed by the Commission as part of the first payment request. The nature and extent of the proposed modifications to Czechia's RRP do not impact this positive assessment, as the new investments and reforms included in the RRP are to be subject to the same audit and control procedures as those currently in place for the other measures of the RRP.

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1 Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC (OJ L 141, 5.6.2015, p. 73).

2 Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012 (OJ L 193, 30.7.2018, p. 1).

Coherence of the RRP

(80) In accordance with Article 19(3), point (k), of and Annex V, criterion 2.11, to Regulation (EU) 2021/241, the modified RRP including the REPowerEU chapter includes to a medium extent (rating B) measures for the implementation of reforms and public investment projects that represent coherent actions.

(81) The Czech RRP originally obtained rating B for its coherence. This was due to, in particular, the lower level of reform ambition of the original RRP. The imbalance between reforms and investments lowered the mutually reinforcing and complementary effect of measures.

(82) For the updated RRP, Czechia added reforms and investments which mutually reinforce each other and support the implementation of new investments in targeted areas such as renewable energy and grid modernisation. However, the complementarity effect of measures remained limited in other parts of the RRP such as the energy efficiency renovations and electrification of rail. The RRP could have benefited from further reforms and investments aiming to boost energy efficiency renovations and electrification of railways. Such measures would have further complemented the measures included in the updated RRP, thereby achieving a greater impact of Facilty funding. Therefore, the RRP warrants rating B for coherence. In addition, Czechia signalled its intention to finance additional measures in these domains from other financing sources which are not included in the RRP.

Any other assessment criteria

(83) The Commission considers that the modifications put forward by Czechia do not affect the positive assessment of the RRP set out in the Council Implementing Decision of 8 September 2021 regarding the relevance, effectiveness, efficiency and coherence of the RRP against the assessment criteria laid down in Article 19(3), points (a), (c), (g), (i), (j) and (k) of Regulation (EU) 2021/241.

Consultation process

(84) During the preparation of the modified RRP including the REPowerEU chapter, Czechia benefitted from support through Regulation (EU) 2021/240 of the European Parliament and the Council[1] establishing a Technical Support Instrument ('Support to REPowerEU'). Stakeholders were involved in the preparation of the report between July 2022 and February 2023, which provided input for the design of the measures under the REPowerEU chapter. The Czech authorities consulted stakeholders through several consultation platforms, including a formal one-week consultation process in May 2023, where both government bodies and relevant stakeholders (e.g. industry associations and NGOs such as the Confederation of Industry, the Chamber of Commerce, the Union of Employers' Associations, the Confederation of Employers' and Entrepreneurs' Associations, the Czech Banking Association and the Green Circle) commented the proposals. The Czech authorities took comments regarding the modified RRP including the REPowerEU chapter into account for instance by including support for affordable housing addressing energy efficiency in residential buildings of socially vulnerable households and by extending advisory services for the Renovation Wave.

[1] Regulation (EU) 2021/240 of the European Parliament and of the Council of 10 February 2021 establishing a Technical Support Instrument (OJ L 57, 18.2.2021, p. 1).

(85) In the implementation of the modified RRP, including the REPowerEU chapter, stakeholders are consulted in the framework of the Committee for the RRP (established in May 2021) composed of key stakeholders. To ensure ownership by the relevant actors, it is crucial to involve regional and local authorities and stakeholders concerned, including social partners, throughout the implementation of the investments and reforms included in the modified RRP including the REPowerEU chapter.

Positive assessment

(86) Following the positive assessment of the Commission concerning the modified RRP including the REPowerEU chapter, with the finding that the RRP satisfactorily complies with the criteria for assessment set out in Regulation (EU) 2021/241, in accordance with Article 20(2) of and Annex V to that Regulation, this Decision should set out the reforms and investment projects necessary for the implementation of the modified RRP including the REPowerEU chapter, the relevant milestones, targets and indicators, and the amount made available from the Union for the implementation of the modified RRP including the REPowerEU chapter in the form of non-repayable financial and loan support.

Financial contribution

(87) The estimated total costs of the modified RRP including the REPowerEU chapter of Czechia is EUR 9 231 951 405. As the amount of the estimated total costs of the modified RRP is higher than the updated maximum financial contribution available for Czechia, the financial contribution calculated in accordance with Article 11 of Regulation (EU) 2021/241 allocated for Czechia's modified RRP including the REPowerEU chapter should be equal to the total amount of the financial contribution available for Czechia's modified RRP including the REPowerEU chapter. This amount is equal to EUR 7 673 717 943.

(88) Pursuant to Article 21a(5) of Regulation (EU) 2021/241, on 30 June 2023, Czechia submitted a request for the allocation of the revenue referred to in Article 21a (1) of that Regulation, shared between Member States on the basis of the indicators set out in the methodology referred to in Annex Iva to Regulation (EU) 2021/241. The estimated total costs of the measures referred to in Article 21c(3), points (b) to (f), of Regulation (EU) 2021/241 included in the REPowerEU chapter is EUR 735 462 050. As this amount is higher than the allocation share available for Czechia, the additional non-repayable financial support available for Czechia should be equal to the allocation share. This amount is equal to EUR 680 543 170.

(89) Additionally, in accordance with Article 4a of Regulation (EU) 2021/1755 of the European Parliament and of the Council[1], on 18 February 2023, Czechia submitted a reasoned request to transfer all its remaining provisional allocation from the resources of the Brexit Adjustment Reserve to the Facility, amounting to EUR 54 918 029. That amount should be made available to support the reforms and investments in the REPowerEU chapter as additional non-repayable financial support.

(90) The total financial contribution available to Czechia should be EUR 8 409 179 142.

Loan

(91) Furthermore, in order to support additional reforms and investments, Czechia has requested a total loan support of EUR 818 136 635, in particular, to support new reforms and investments in the RRP. The maximum volume of the loan requested by Czechia is less than 6,8 % of its 2019 gross national income in current prices. The amount of the estimated total costs of the RRP is higher than the combined financial contribution available for Czechia, including the REPowerEU chapter and the updated maximum financial contribution for non-repayable financial support, the revenue from the emission trading system under Directive 2003/87/EC of the European Parliament and of the Council[2], and from the resources of the Brexit Adjustment Reserve.

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1 Regulation (EU) 2021/1755 of the European Parliament and of the Council of 6 October 2021 establishing the Brexit Adjustment Reserve (OJ L 357, 8.10.2021, p. 1).

2 Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC (OJ L 275, 25.10.2003, p. 32).

REPowerEU Pre-financing

(92) Czechia has requested the following funding for the implementation of its REPowerEU chapter: transfer of EUR 54 918 029 from the provisional allocation from the resources of the Brexit Adjustment Reserve, and EUR 680 543 170 from the revenue from the Emissions Trading System under Directive 2003/87/EC.

(93) For those amounts, pursuant to Article 21d of Regulation (EU) 2021/241, on 30 June 2023, Czechia has requested pre-financing of 20 % of the funding requested. Subject to available resources, that pre-financing should be made available to Czechia subject to the entry into force of, and in accordance with, an agreement to be concluded between the Commission and Czechia pursuant to Article 23(1) of Regulation (EU) 2021/241.

(94) The Council Implementing Decision of 8 September 2021 on the approval of the assessment of the recovery and resilience plan for Czechia should therefore be amended accordingly. For the sake of clarity, the Annex to that Implementing Decision should be replaced entirely,

HAS ADOPTED THIS DECISION:

Article 1

The Council Implementing Decision of 8 September 2021 on the approval of the assessment of the recovery and resilience plan for Czechia is amended as follows:

(1) Article 1 is replaced by the following:

‘*Article 1*
Approval of the assessment of the RRP

The assessment of the modified RRP of Czechia on the basis of the criteria provided for in Article 19(3) of Regulation (EU) 2021/241 is approved. The reforms and investment projects under the RRP, the arrangements and timetable for the monitoring and implementation of the RRP, including the relevant milestones and targets and the additional milestones and targets related to the payment of the loan, 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.’;

(2) in Article 2, paragraphs 1 and 2 are replaced by the following:

‘1. The Union shall make available to Czechia a financial contribution in the form of non-repayable support amounting to EUR 8 409 179 142.* That contribution includes:

(a) an amount of EUR 3 537 379 398, which shall be available to be legally committed by 31 December 2022;

(b) an amount of EUR 4 136 338 545, which shall be available to be legally committed from 1 January 2023 until 31 December 2023;

(c) an amount of EUR 680 543 170**, in accordance with Article 21a(6) of Regulation (EU) 2021/241, exclusively for measures referred to in Article 21c(3) of that Regulation, with the exception of measures referred to in Article 21c(3), point (a), of that Regulation;

(d) an amount of EUR 54 918 029, transferred from the Brexit Adjustment Reserve to the Facility.

2. The Union financial contribution shall be made available by the Commission to Czechia in instalments in accordance with the Annex to this Decision. An amount of EUR 914 640 681 shall be made available as pre-financing in accordance with Article 13 of Regulation (EU) 2021/241.

An amount of EUR 147 092 240 shall be made available as pre-financing in accordance with Article 21d of Regulation (EU) 2021/241. That pre-financing may be disbursed by the Commission in up to two payments.

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.

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* This amount corresponds to the financial allocation after deduction of the Czechia's proportional share of the expenses of Article 6(2) referred to in Regulation (EU) 2021/241, calculated in accordance with the methodology set out in Article 11 of that Regulation.

** This amount corresponds to the financial allocation after deduction of the Czechia's proportional share of the expenses of Article 6(2) referred to in Regulation (EU) 2021/241, calculated in accordance with the methodology set out in Annex IVa of that Regulation.';

(3) the following article is inserted:

‘*Article 2a*

Loan support

1. The Union shall make available to Czechia a loan amounting to a maximum of EUR 818 136 635.

2. The loan support referred to in paragraph 1 shall be made available by the Commission to Czechia in instalments in accordance with the Annex to this Decision.

3. The release of instalments in accordance with the loan 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 additional milestones and targets covered by the loan and identified in relation to the implementation of the modified RRP including the REPowerEU chapter. In order to be eligible for payment, Czechia shall complete the additional milestones and targets no later than 31 August 2026.’;

(4) the Annex is replaced by the text appearing in the Annex to this Decision.

Article 2

Addressee

This Decision is addressed to the Czech Republic.

Done at Brussels,

For the Council

The President
