

2022

Úřad vlády České republiky



National Reform Programme of the Czech Republic

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List of abbreviations

AEP	Active employment policy
OSH	Occupational safety and health
CID	Council Implementing Decision
CZ-DRG	Diagnoses Related Group
CSRs	Country Specific Recommendations
CMGDB	Czecho-Moravian Guarantee and Development Bank (NDB today)
CR	Czech Republic
CZSO	Czech Statistical Office
CSI	Czech School Inspectorate
DCR	Digital Czech Republic
DES	Digital Economy and Society
VAT	Value added tax
DTI	Debt-to-income, the ratio of the debt amount to the annual net income of the loan applicant
DTM	Digital technical map
BPD	Building permit documentation
DSTI	Debt service-to-income, the proportion of debt service to net annual income
ZPD	Zoning permit documentation
ERDF	European Regional Development Fund
EEA	European Economic Area
EIF	European Investment Fund
EC	European Commission
EU	European Union
FLEXI	Support for forms of flexible employment
GeoInfoStrategy	Infrastructure development strategy for spatial information in the Czech Republic
GDP	Gross domestic product
IROP	Integrated Regional Operational Programme
BOIS	Beneficial owners information system
PAIS	Public administration information system
IS 2019+	Innovation Strategy of the Czech Republic 2019–2030
SIRP	Single inspection registration portal
CCS	Cultural and creative sector
CCI	Cultural and creative industries
GLR	Government legislative rules

LTV	Loan-to-value, the ratio of the loan amount to the value of the collateral
MoF	Ministry of Finance
MoT	Ministry of Transport
MoRD	Ministry of Regional Development
MoRD-SIS	Social Inclusion Section, Ministry of Regional Development
MIT	Ministry of Industry and Trade
MIT-DU	Ministry of Industry and Trade – Delivery Unit (NPO Management Department)
MoLSA	Ministry of Labour and Social Affairs
SMEs	Small and medium-sized enterprises
MoJ	Ministry of Justice
MEYS	Ministry of Education, Youth and Sports
MoI	Ministry of the Interior
MoH	Ministry of Health
MoA	Ministry of Agriculture
MFA	Ministry of Foreign Affairs
MoE	Ministry of Environment
NAP CM	National Action Plan on Clean Mobility
NPI	National Pedagogical Institute of the Czech Republic
NPO	National Recovery Plan
NRP	National Reform Programme
NPE	National Programme Environment
NDB	National Development Bank (formerly CMGDB)
NGS	New Green Savings
NDB	National Development Bank (formerly CMGDB)
OECD	Organisation for Economic Co-operation and Development
OP T	Operational Programme Transport
OHA	Office of the Chief eGovernment Architect
OP JAK	Operational Programme Jan Ámos Komenský
OP EIC	Operational Programme Enterprise and Innovation for Competitiveness
OP JT	Operational Programme Just Transition
OP RDE	Operational Programme Research, Development and Education
OP E	Operational Programme Employment
OP E+	Operational Programme Employment Plus
OP Env	Operational Programme Environment
RES	Renewable energy sources

PD	Project documentation
RDP	Rural Development Programme
PSP	Chamber of Deputies of the Parliament of the Czech Republic
RHSD	Council of Economic and Social Agreement of the Czech Republic
RIA	Regulatory impact assessment
RF	Russian Federation
RRF	Recovery and Resilience Facility
FEP	Framework educational programme
SDGs	Sustainable Development Goals – Agenda 2030
SEA	Strategic Environmental Assessment
SISF	State Investment Support Fund
SEF CR	State Environmental Fund of the Czech Republic
SLPC	Social and legal protection of children
SFDPA	Strategic Framework for the Development of Public Administration of the Czech Republic
Strategy 2030+	Education Policy Strategy of the Czech Republic 2030+
SLIO	State Labour Inspection Office
SUJ	Socially useful jobs
CAP	Common Agricultural Policy
TACR	Technological Agency of the Czech Republic
TEN-T	Trans-European Transport Network
FES&P	Full electronic submission and processing
LO CR	Labour Office of the Czech Republic
IHIS	Institute of Health Information and Statistics of the Czech Republic
R&D&I	Research, Development and Innovation
VHCN	Very High Capacity Networks
CO	Component owner
CS	Community service
PA	Public administration
ALF	Agricultural land fund
PP	Procurement procedure

1. Introduction

The *National Reform Programme of the Czech Republic* (NRP) is prepared annually as part of the EU's economic policy coordination, the European Semester. The 2022 European Semester cycle is significantly aligned with the launch of the implementation of the new directly managed EU programme, the **Recovery and Resilience Facility** (RRF), whose governance has been integrated into the European Semester. Chapter 6: *Institutional process and stakeholder involvement* describes in more detail the 2022 European Semester cycle and the process of preparing the NRP 2022, including the participation of economic and social partners and other stakeholders.

In addition to the NRP, the **Convergence Programme of the Czech Republic** is also prepared annually as part of the European Semester. It is a strategic document prepared by the Ministry of Finance (MoF). The Convergence Programme specifies the main aggregate fiscal data and the most important upcoming measures with budgetary implications in the form of the Government's medium-term fiscal strategy. The measures described in the NRP will be implemented in accordance with the approved State budget and budget outlook and the possibilities of financing from EU sources.

National Recovery Plan

The use of RRF aid is based on individual recovery and resilience plans [**National Recovery Plan** (NPO) in the Czech Republic] prepared by the Member States in dialogue with the European Commission (EC) and other actors. The Government approved the NPO at its meeting on 17 May 2021, and subsequently the plan was formally submitted to the EC for its consideration on 1 June 2021. After addressing the comments, the EC published its assessment of the NPO on 19 July 2021 in a draft "*Council Implementing Decision on the approval of the assessment of the Recovery and Resilience Plan of the Czech Republic*". (CID). The draft CID was discussed by the preparatory bodies of the Council, then by the Council in the ECOFIN format on 6 September 2021 and subsequently the **CID CR was formally approved** (8 September 2021) in a written procedure.

In the next step (based on delegation by a government resolution¹), the then Deputy Prime Minister, Minister of Industry and Trade and Minister of Transport concluded a **financing agreement** with the EC, which specifies the rules for the disbursement of the established support from the RRF for the Czech Republic – pre-financing and subsequent payments. Following the conclusion of this agreement, the Czech Republic received pre-financing of 13% of the total approved financial support from the RRF for the Czech Republic. In addition, intensive bilateral negotiations between the Czech Republic and the EC took place on the final form of the agreement called the **Operational Arrangement**, which is another necessary prerequisite for drawing support from the RRF and which specifies the individual milestones and targets binding for the Czech Republic set out in the CID and the verification method for demonstrating their fulfilment. The RRF is **performance based**. After demonstrating that the milestones and targets have been met, the Czech Republic submits a request for payment to the EC every six months and receives a pre-determined amount.

According to preliminary calculations, it seems highly probable that the Czech Republic will receive an increase in the grant part of the allocation in accordance with the RRF Regulation. Therefore, the Czech Republic has started preparing an **update to the NPO**, which would reflect the increase in the

¹ Government Resolution No 810 of 13 September 2021.

funding envelope. The Government instructed² the Prime Minister, the Minister of Industry and Trade and the Minister for European Affairs to continue the current negotiations with the EC on the implementation of the NPO and to initiate the process leading to its update as part of the negotiations.

Structure of the NRP 2022

The structure of the document is based on the EC instructions and responses to the requirement (enshrined in the RRF Regulation) to use the NRP to report on progress in the implementation of the NPO. Therefore, chapter 3: *Reforms and Public Investment* is structured according to the **4 dimensions of competitive sustainability** defined by the EC (3.1 *Environmental sustainability*, 3.2 *Productivity*, 3.3 *Fairness* and 3.4 *Macroeconomic stability*). The NPO pillars and other specific chapters are then centred around these dimensions. In addition to describing the status of implementation of the individual NPO components, **it also includes a description of planned reforms and public investments beyond the NPO**. The NRP also includes a chapter specifically focused on the issue of housing affordability or tax policy. It also includes chapters devoted to the implementation of the European Pillar of Social Rights and progress in the implementation of the Sustainable Development Goals (SDGs) adopted at the UN.

1.1 Government priorities in the context of current developments

The Government's priorities reflect long-term trends, especially green and digital transformation, as well as current challenges – in particular the impact of the COVID-19 pandemic and the aggression of the Russian Federation (RF) against Ukraine. The macroeconomic context is described in more detail in chapter 2 below. Stabilising public finances is a key priority for the Government.

In the medium term, Europe is recovering from the effects of the COVID-19 pandemic. The violence by the RF against the civilian population of Ukraine has triggered a large-scale refugee wave, mainly to EU countries. In response to the invasion, the EU has adopted unprecedented sanctions against the RF, while at the same time providing Ukraine with comprehensive support.

Green transformation

In its *Policy Statement*³, the Government states that it considers the *European Green Deal* an opportunity to significantly modernise the Czech economy, improve the quality of life and the environment through investment in sustainable development, clean and renewable energy sources and a circular economy. The Government is committed to finding solutions that will reduce the human impact on climate change.

The Government will work on realistic solutions to help protect the environment, water, land and forests with the aim of tackling climate change. Key measures include the modernisation of the heating sector, including heat distribution, and the development of renewable energy sources, including photovoltaics. Building waste and recycling infrastructure and encouraging businesses to invest in circular solutions is important as well. The aim is to decarbonise industry and make agriculture environmentally friendly. Priority is also given to supporting the development and production of alternative fuels and low- and zero-emission vehicles and to research, development and innovation in general. In addition to supporting the purchase of zero-emission vehicles, we also need to build infrastructure (charging stations) and invest in public transport.

² By Government Resolution No 258 of 30 March 2022.

³ Approved on 6 January 2022.

Energy

The green transformation and the current challenges in the field of energy security lead to the need to reduce the dependence on raw material imports from the RF, such as oil, natural gas and nuclear fuels. We must also urgently find a solution in the form of LNG terminal capacity in an EU or NATO member state. The Government will further develop nuclear power.

Last but not least, the social impacts of green transformation measures must be minimised. In particular, the negative effects of inflation and energy poverty need to be tackled, especially among disadvantaged groups in society.

Digital transformation

The unified digitisation of government processes is a key priority for the Government. The agenda includes cross-cutting themes of support for digital transformation – development of basic registers, cybersecurity and streamlining work with data. In addition, there will be more narrowly focused digitisation projects in the health sector, the judiciary and the digitisation of building permit proceedings. At the same time, the Government will work to develop high-capacity connectivity, including 5G infrastructure.

The Government will also take steps to increase the use and sharing of data by the public administration and to prepare high-quality analyses of the expected impacts of European and national measures. A smart, efficient and digitised State that uses an *evidence-based* policy approach is also a key prerequisite for modernising and increasing the efficiency of public services and for stabilising public finances.

The digitisation agenda includes support for innovation and entrepreneurship. The Government will support the development of future and emerging technologies – from artificial intelligence and blockchain to quantum communications infrastructure and innovations in the aerospace industry. At the same time, the Government will take measures to mobilise venture capital.

Social, education and health systems

The Government's wants an education system that can prepare children and young citizens for an ever-changing world. Modern schools will need not only adequate equipment, including digital tools, but also a revision of the curriculum framework and professional support for teachers. At the same time, the education system needs to be targeted at reducing regional disparities. The Government will look for solutions to increase teachers' salaries.

It is also important to support early childhood care services and improve the quality and availability of pre-school education. In this context, the Government also intends to help families by promoting more flexible forms of work for parents and by increasing the range of opportunities to reconcile family and work life so that people can afford to spend more time with their children and caring for loved ones. As stated in the *Policy Statement*, the Government also wants to ensure, through tax instruments and a simplified system of social benefits, that the work and costs associated with raising children and caring for loved ones do not result in deterioration of living standards for families.

Reform of the pension system is an important challenge for the Czech Republic, and the Government is fully aware that this reform must be based on a society-wide consensus. The basic parameter of the planned pension reform is the division of the pension system into three components (basic, merit-based and voluntary). In the health care sector, one of the biggest priorities is the continued implementation

of the DRG (Diagnoses Related Group)⁴ classification system for health care reimbursements and the elimination of inequalities in these reimbursements in other segments.

Housing

In its *Policy Statement*, the Government reflects the issue of rising housing prices and it has committed to bringing solutions that will help both owner-occupied and rented housing, including social housing. Speeding up the building permit proceedings is important for housing construction. In addition, the Government will propose support schemes for the renovation and revitalisation of buildings and the replacement of existing heat sources with greener options.

European funds

In addition to national resources, the Government will simplify and improve the use of European funds in the Czech Republic. In addition to drawing support from the aforementioned RRF, the Government is preparing the launch of operational programmes under the Cohesion Policy in the programming period 2021–2027, as described in more detail in chapter 6: *EU Funds*.

1.2 Government action in response to the situation in Ukraine

The unprecedented attack of the RF on Ukraine launched on the night of 23–24 February 2022 dramatically worsened the security situation in Europe. The following day, the Government approved the provision of emergency humanitarian aid to Ukraine in the total amount of CZK 300 million. It responded to the refugee situation associated with the war by declaring a state of emergency for 30 days from 4 March 2022. The proposal to extend the state of emergency due to the influx of refugees from Ukraine until the end of May 2022 was approved by the Chamber of Deputies of the Parliament of the Czech Republic (PSP) on 29 March 2022.

On 9 March 2022, the Government approved draft Acts Nos 65/2022, 66/2022 and 67/2022 (“Lex Ukraine”), which regulate the rules for legalising the stay of refugees from Ukraine on the territory of the Czech Republic, their employment, health insurance, funding for childcare in children’s groups, the use of social services, humanitarian benefits and support for accommodation. These Acts were promptly passed through the Parliament of the Czech Republic, signed by the President and subsequently entered into force by publication in the Collection of Laws on 21 March 2022. They are adopted for a period of one year, set to expire on 31 March 2023.

Humanitarian benefits

The humanitarian benefit is intended for citizens of Ukraine who came to the Czech Republic because of the war. In the initial phase of the migration wave, the **emergency immediate assistance benefit for personal injury** was used to address the initial state of homelessness, namely for an adult in the amount of the subsistence minimum of **CZK 2 490** and for a dependent child in the amount of the subsistence minimum based on the child’s age. With the approval of the Lex Ukraine in the area of social security as of 21 March 2022, a special **humanitarian benefit** was activated to help Ukrainians with temporary protection in the Czech Republic cover the expenses for basic living needs. The humanitarian benefit of **CZK 5 000** per month is paid by default by the Labour Office of the Czech Republic to each incoming person for the calendar month in which the person was granted temporary protection. The benefit can be drawn repeatedly, and if foreign nationals continue to struggle financially, they can receive the

⁴ Classification of clinical case groups.

benefit for a further 5 months by completing a simple application form. For the second to sixth humanitarian benefit, the overall income, social and financial circumstances of the adult applicants will be assessed. Minor children will receive the benefit without inquiries into their financial situation.

The humanitarian benefit is an initial assistance provided in the most simplified way possible, without the use of administrative procedures and other formalities, which responds quickly to the situation due to the manner of its provision and its amount. After the six-month period, a transfer to the system of assistance in material need is expected – i.e. funds will be provided for food, hygiene products, etc. through the subsistence allowance. The housing supplement will be used (somewhere partially) to cover housing costs (in cases where the family will have to pay for accommodation). Other necessary expenses can be covered by emergency assistance if necessary. Entitlement to benefits in material need will be governed by standard statutory conditions, i.e. it will be subject to administrative proceedings and the overall social and financial circumstances of the entire group of persons assessed together will be tested; for the housing supplement, it will be assessed whether the costs are at usual levels.

Tax measures

A draft act concerning income taxes and administrative fees is currently in the legislative process. Its purpose is to provide tax support for taxpayers' charitable activities aimed at helping Ukraine and its people. In the case of income tax, this is an extension of the conditions for deducting donations. Specifically, this concerns the extension of the range of recipients of donations, the extension of the purposes of the donation and the extension of the range of taxpayers who can claim the deduction. Furthermore, it is a possibility to apply tax deductible expenses for the purpose of providing a non-monetary donation to help Ukraine and its people, to extend the increase of the maximum value of donations that can be deducted from the tax base and also to extend the areas of income tax exemption. These changes are limited to 2022 and can be applied retroactively, but only in 2022.

In the case of administrative fees, the draft act authorises administrative authorities to waive the collection of administrative fees from residents of Ukraine and other persons entering or staying in the territory of the Czech Republic due to the war in Ukraine. It also facilitates flexibility in expanding or narrowing the range of administrative fees that will be waived, depending on the situation.

In order to mitigate the impact of the increase in fuel prices, a draft act has been introduced to encourage the use of low-emission vehicles by employees for private and business purposes, to accelerate depreciation for charging stations, and to narrow the road tax structure to cover only the minimum range of taxpayers required by Directive 1999/62/EC of the European Parliament and of the Council on the charging of heavy goods vehicles for the use of certain infrastructures, the removal of the obligation to blend first-generation biofuels into fuels and the postponement of the entry into effect of the obligation to operate selected stationary combustion sources. At a meeting on 13 April 2022, the Government agreed to reduce excise duty on petrol and diesel by CZK 1.5 for a period of four months.

Earlier, the Minister of Finance also decided to waive late payment interest and interest on VAT arrears, effectively postponing VAT payments until 31 October 2022, and to waive all quarterly advances of road tax in 2022 for road transport entrepreneurs.

Temporary protection

After the start of the military invasion of Ukraine, the Czech Republic began to grant visas for stays over 90 days to Ukrainian citizens and citizens of Ukrainian origin who were already residing in the

Czech Republic on the basis of a non-extendable residence permit or a visa-free stay for the purpose of staying; these are referred to as **special visas and they were granted on the basis of Section 33(1)(a) of the Act on the residence of foreign nationals on the territory of the Czech Republic**. These special visas were also granted to citizens of other States if they were close family members of citizens of Ukraine and fled Ukraine with them.

On the basis of the EU Council Decision of 4 March 2022, temporary protection was activated for the first time in EU's history in accordance with the procedure set out in EU Directive 2001/55/EC regulating this institution and the application thereof. On 21 March 2022, Act No 65/2022 ("**Lex Ukraine**") entered into effect and the Czech Republic started granting **temporary protection** to refugees. Any special visas already granted and valid as of 21 March 2022 were by default considered as temporary protection visas as of that date, in accordance with Act No 65/2022. **Temporary protection will be provided until 31 March 2023.**

In accordance with EU law, the Czech Republic provides temporary protection holders with the **possibility of adequate accommodation, access to employment and self-employment, education, health care** and, if they lack sufficient resources, the **necessary assistance in the form of social benefits**.

Health insurance

Participation in the public health insurance system for foreign nationals who have been granted temporary protection is based on Section 7 of Act No 65/2022, in conjunction with Section 2(1)(b)(5) of the Public Health Insurance Act. If a foreign national is granted temporary protection, he or she becomes an insured person in the public health insurance system in the Czech Republic, including the same scope of rights and obligations as an insured person whose participation arises in other ways (most often through permanent residence or employment in the Czech Republic). At the same time, persons who have been granted temporary protection are insured by the State, i.e. the State pays the insurance premiums for them from the State budget. The current scope of entitlement to reimbursement of health services from public health insurance in the Czech Republic is very broad and includes basically all health services provided in accordance with the law, unless they are explicitly excluded from reimbursement or there is no deductible (e.g. medicines or medical devices), including a wide range of preventive non-acute care. Therefore, the national legislation goes beyond the requirement of Article 13(2) of Council Directive 2001/55/EC, which requires the MS to provide medical care at least to the extent of "acute cases and basic treatment of illness" in relation to persons granted temporary protection.

The legislation already adopted has the effect of admitting people fleeing the war in Ukraine to the public health insurance system, as they are included in the group of persons insured by the State. The Czech Republic expects the possibility of a deterioration in the availability of some types and forms of care, as the health system was not prepared for the sudden influx of new patients (especially in terms of staff shortages – specialist doctors). This problem cannot simply be eliminated in the short term.

Work permit

After the start of the Russian invasion of Ukraine, it was necessary to resolve the conditions of residence and employment of newly arrived Ukrainian nationals and those residing in the Czech Republic on short-term non-extendable visas ("Schengen visas"), as it was not possible to use this institute until the Council Decision (EU) 2022/382 of 4 March 2022 establishing temporary protection for displaced persons from Ukraine.

These persons were issued special visas by the Ministry of the Interior in accordance with the Foreign Nationals Residence Act (long-term visas for toleration stay with “D/VS/u” visa code). Holders of these visas could be issued work permits under the Employment Act (Section 97), which do not take account of the labour market situation.

Holders of temporary protection now have the legal status of persons with a permanent residence permit in the Czech Republic for the purposes of the Employment Act in accordance with Act No 66/2022, (“Lex Ukraine” on employment and social security issues). Therefore, they have free access to the labour market.

A total of 7 433 applications were submitted (as of 21 March 2022) and 4 223 work permits were issued before the entry into effect of Lex Ukraine. The most frequent positions applied for were assemblers of other products (613), warehousemen, material handling equipment operators (598), assemblers of mechanical equipment (340), assemblers of products and equipment (305).

Children’s groups

Act No 66/2022 removes barriers that could arise when a child who is a foreign national with temporary protection is admitted to a children’s group. The State budget contribution provided for the occupied spot in the children’s group is the same as for children who do not have this status (payment by the parent is not regulated by the Act).

A provider who has a valid authorisation to provide childcare services in a children’s group may apply for a contribution for the operation of a children’s group on an ongoing basis, i.e. not only during January of the calendar year for which the contribution is due. In this context, it is necessary for the child’s parent to provide proof that the child has undergone the prescribed vaccinations, is immune to the disease or cannot be vaccinated due to a contraindication no later than the day the child starts attending the children’s group. There are no changes to the conditions regarding the capacity of the children’s group or the hygiene requirements for the premises and operation.

Solidarity contribution for accommodation providers

The second form of subsidy introduced by Lex Ukraine in the field of social security is the **solidarity household allowance**, which serves to ensure adequate accommodation for foreign nationals with temporary protection in the Czech Republic and also to partially cover the costs of households that have decided to help refugees with housing. The Labour Office of the Czech Republic has been paying the solidarity household allowance since 11 April 2022 to natural persons who have provided accommodation free of charge to a foreign national with temporary protection. According to the Government Regulation of 22 March 2022, the solidarity household allowance is provided for March to June 2022 in the amount of CZK **3 000** per person accommodated per calendar month if the accommodation lasts for at least 16 consecutive days. For the purpose of determining the amount of the allowance, no more than four persons accommodated in one solidarity household per calendar month may be taken into account and a **maximum of CZK 12 000** may be paid.

The purpose of the solidarity household allowance is to support households that have made it possible to accommodate foreign nationals with temporary protection in their dwelling (or another living space). As with the humanitarian benefit, the administrative procedure has been eliminated and simplified as much as possible in order to respond to the unprecedented scale of the underlying event – the influx of foreign nationals fleeing the war. Depending on the development of the armed conflict on the territory

of Ukraine and its impact on the possibilities of providing accommodation, the Government may extend the duration of the solidarity household allowance and modify its conditions by a regulation.

Education

In response to the Russian invasion of Ukraine, on 25 February 2022, the Minister of Education called on teachers to inform pupils appropriately about the war in Ukraine and, at the same time, to work with pupils in the areas of prevention of bullying that could occur in this context, for example, against children of Russian nationality. Schools were also advised to focus on topics such as awareness, equality, respect and tolerance. On 2 March 2022, scientific institutions were asked to end their co-operation with Russian institutions.

Information portals and methodologies

On 3 March 2022, the MEYS launched a special portal <https://edu.cz/ukrajina>, which contains methodologies, answers to current questions, practical information, measures and forms of assistance. A website for students and researchers has also been launched at <https://www.studyin.cz/ukraine/>; this website includes a signpost to university and research organisation websites, their programmes, scholarships and social support.

The main Ukrainian platform for remote learning is <https://lms.e-school.net.ua/>, which publishes an overview of Ukrainian remote learning resources, methodological materials and serves to support remote learning for Ukrainian students and to offer a better overview of resources in Ukrainian.

A guide for schools regarding the catastrophic event has been published. It focuses on how to talk to children about the war and contains clear information on integrating Ukrainian children and bringing them into the community, with an emphasis on mental health.

The Charles University Faculty of Mathematics and Physics has developed a Czech-Ukrainian translator within the LINDAT/CLARIAH-CZ project. It is freely available. Its advantage is that it does not use English as an intermediate language and shows the Ukrainian version of the Czech text not only in the Cyrillic alphabet but also in the Latin alphabet, which further helps mutual understanding.

Lex Ukraine

On 21 March 2022, an Act came into force, which consists of three norms to help refugees from Ukraine (MoI, MoLSA, MEYS). It is valid for a fixed period until 31 March 2023. The MEYS has issued methodological material on the Act. The measures concern the following:

Nursery and primary schools

A special enrolment period for the 2022/23 school year has been made available for nursery and primary schools from 1 June 2022 to 15 July 2022. At the same time, a special education programme was allowed according to the needs of the child, which may not correspond to the FEP, and at the same time these pupils are entitled to intensive learning of the Czech language or to psychosocial support.

Secondary schools, conservatories and tertiary vocational schools

Within the framework of education at secondary schools, higher vocational schools and conservatories, the admission of students from Ukraine to the current first year was made possible, the deadline for

submitting applications was extended and the time limit for the entrance examination was extended. Entrance exams can be taken in Czech, Ukrainian or English and proof of previous education can be replaced by an statutory declaration. At the same time, classes composed exclusively of refugees from Ukraine will be able to employ teaching staff from Ukraine without the need to speak Czech.

Higher education institutions

Individual conditions for admission to study at higher education institutions have been made possible. At the same time, it is possible to replace the proof of documented education with a statutory declaration and to allow exemption from application fees and fees related to studies, as well as the use of funds from other than earmarked funds for humanitarian purposes related to the situation of foreign nationals, exemption from nostrification fees or the possibility to interrupt studies with the interrupted period not counted in the total period of interruption.

The MEYS has also issued information on how to provide counselling services to pupils from Ukraine and recommendations for school counselling centres. The National Pedagogical Institute of the Czech Republic (NPI), which offers interpreting services for school counselling centres and schools, is also part of the assistance. Educational and psychological counselling centres have translations available of all important documents.

Agriculture, food and forestry

The impact of the war in Ukraine on self-sufficiency in terms of basic livestock commodities and food of animal origin is not expected to be substantial. The current lack of self-sufficiency in some commodities (e.g. eggs, poultry and especially pork) has not been covered by substantial imports from Ukraine. As far as the necessary food security of refugees in the Czech Republic is concerned, it can be stated that the current number of refugees does not fundamentally affect the availability of basic foodstuffs of animal origin.

At the same time, oil supplies from the RF account for about 50% of annual oil imports. Unless there is a further rapid fall in the price of diesel, the increase in farm fuel costs could reach up to 30%. In terms of the impact of the increase in the cost of energy supply to livestock operations, this is not only an increase in the cost of electricity and diesel consumed directly by livestock operations, but also, and in particular, on feed production in the coming season. Similarly, the quite significant increase in fertiliser prices for some feed crops will be delayed. Therefore, it is necessary to predict gradually increasing prices of agricultural producers of livestock commodities with an impact on food prices.

In addition to trade disruptions, the conflict in Ukraine also means concerns about the lack of sources for some foodstuffs. These include disruptions in the grain, maize and sunflower oil markets (rising commodity prices). At the same time, there have been substantial increases in the prices of energy, fuel, feed, fertiliser and pesticides. The impact on the agricultural commodities market as a result of the war in Ukraine will be fundamentally influenced by the length of the conflict and the ability to replace the resulting shortfalls in raw materials for processing. On 20 April 2022, the Government approved a regulation to change the provision of direct payments to farmers in order to increase the potential of agricultural production.⁵

⁵ Government Regulation amending Government Regulation No 50/2015, laying down certain conditions for the provision of direct payments to farmers and amending certain related Government Regulations, as amended. The

In the area of agricultural inputs for the food industry, the Czech Republic is able to cover its needs either by its own production of agricultural commodities (grain, milk, beef, oilseeds) or by importing them within the EU free market.

The MoA joined the refugee assistance coordinated by the MoI, the Central Crisis Staff and the National Assistance Centre for Ukraine and sent detailed information regarding the offer of accommodation and jobs in agriculture, food industry and forestry. It provides companies with information services, especially on employment opportunities. The main industry associations and chambers joined the CzechInvest initiative offering vetted jobs. In cooperation with the MFA and the ASMR, it participated in the implementation of food aid deliveries to Ukraine.

Export promotion

In response to the Russian invasion of Ukraine, **all export promotion activities in relation to the RF and Belarus were immediately suspended**. A decision was made to close the CzechTrade offices in the RF. Similarly, the foreign representation of CzechTourism in

Yekaterinburg was closed and the foreign representation in Moscow was suspended. CzechTourism does not currently carry out any marketing activities aimed at the Russian market. All planned MIT export promotion events (mainly trade fairs and exhibitions) were cancelled, as well as planned projects to support economic diplomacy (PROPED) in co-operation with the MFA. Economic migration programmes and the issuance of entry exemptions in the interests of the Czech Republic in relation to the RF and Belarus have been stopped.

In connection with the loss of the Russian and, to a large extent, the Belarusian market, business representatives appeal to the Government to ensure **adequate support for Czech exporters**. One of the main forms of State aid is to support the **diversification of exports** of Czech companies and to offer new markets that can compensate for the losses associated with abandoning these markets. This strengthens services to exporters in other, alternative destinations.

Immediate measures were the provision of **information support to Czech exporters and entrepreneurs** through an information phone line (using the 1212 crisis number with the “sanctions for Russia” option), the creation of websites with information on sanctions and licensing regimes on the MIT website and the BusinessInfo.cz portal for entrepreneurs. From the beginning of March 2022, the MIT will hold, in co-operation with CzechTrade and other institutions, regular **consultation seminars** on the topics of the sanctions against the RF and Belarus, export and business conditions, finding alternative markets, financing and insuring exports. Crisis counselling and individual consultations for companies exporting to Ukraine and the Russian Federation are underway to provide assistance in analysing the situation and developing a replacement export plan.

The MIT actively co-operates on European platforms addressing the topics of exports from Ukraine, the impact of EU sanctions on companies and the impact on supplies for production. The CzechTrade agency is launching a new service, *Import for Export*, which is aimed at finding alternative suppliers of raw materials and assistance in case of disruptions in supply chains related to the situation in Ukraine and sanctions against the RF.

legislation responds to Commission Implementing Decision (EU) 2022/484 of 23 March 2022. Therefore, farmers will be exceptionally allowed to grow economic crops on organic fallow land in 2022.

CzechTrade also integrates the activities of the project of Czech companies' readiness for post-war reconstruction of Ukraine called *Export for Ukraine's Reconstruction*. At the same time, CzechTrade focuses its services on supporting the matchmaking of the emerging demand from Ukrainian companies and the supply of Czech exporters. The Ukrainian Chamber of Commerce is also involved in the project.

2. Macroeconomic context

The Czech economy grew by 3.3% in 2021. All components of domestic demand contributed positively to growth, most notably the change in inventories and household consumption. In contrast, the balance of foreign trade in goods slowed the economic growth down.

In 2022, economic development will be fundamentally affected by Russia's aggression against Ukraine and a change in the setting of international trade relations. The macroeconomic framework of the NRP 2022 works with a scenario that the main negative impacts will be concentrated in Q2. The annual growth rate of the Czech economy is expected to slow to 1.2%. Growth should be driven by government and private sector investment and consumption. However, household consumption will be dampened by a sharp rise in the cost of living, especially energy prices, and tighter monetary policy. The external trade balance should have almost no effect on the growth dynamics.

Economic growth could accelerate to 3.6% in 2023. Household consumption should be the dominant factor, while investment should be pro-growth as well. The external trade balance could also make a slightly positive contribution.

High inflation slows economic growth and lowers living standards. According to a forecast of the MoF, the average inflation rate should reach 12.3% this year. Year-on-year inflation should be in double digits for the rest of the year, peaking above 13% in Q2. Oil, electricity and natural gas prices should contribute significantly to the exceptionally high consumer price growth. Increased costs for companies are then reflected in the prices of goods and services. Problems in supply chains and wage costs in the private sector will have an inflationary effect. However, an increase in monetary policy rates would weaken domestic demand pressures and contribute to the appreciation of the Czech Koruna against the euro, which would have an anti-inflationary effect. The average inflation rate could slow to 4.4% in 2023. Year-on-year inflation should only approach the Czech National Bank's 2% inflation target at the end of the year.

Labour market imbalances related to labour shortages, which are evident in virtually all sectors of the economy, are further exacerbated. The unemployment rate averaged 2.8% in 2021 and could fall to 2.5% this year. However, due to delayed effects of weak growth this year, the unemployment rate could rise slightly to 2.6% in 2023.

The current account of the balance of payments ended with a deficit of 0.8% of GDP in 2021, the first deficit since 2013. The balance of services and primary and secondary pensions is not expected to change significantly in proportion in 2022 and 2023. However, the shortage of components, together with rising input and energy prices, should lead to a further deterioration in the balance of goods this year. The current account deficit is expected to reach 2.2% of GDP in 2022 and it could fall to 1.9% of GDP in 2023.

The expected developments are burdened by a number of risks to economic growth. The main risk being the further development of the war in Ukraine. A possible shortfall in the supply of commodities, of which the RF and Ukraine are major exporters, would significantly exacerbate the negative economic impact of the war. Continued issues in global supply chains, higher and longer-lasting inflationary pressures, as well as the emergence and spread of new mutations of the coronavirus against which available vaccines or past illnesses would provide little protection, are also significant risks. On the one hand, an influx of refugees from Ukraine could potentially alleviate labour market imbalances and

weaken upward pressure on wages, but potentially unsuccessful integration could pose a significant social problem in the future. Cyclical and structural developments in the automotive industry and overvaluation of residential property prices are also an internal risk. On the positive side, an above-average increase in savings by a certain proportion of households during the epidemic could help cushion the impact of higher consumer prices.

3. Reforms and public investment

3.1 Environmental sustainability

3.1.1 Physical infrastructure and green transformation

Sustainable Transport Component

Component	Subcomponent
2.1 Sustainable transport (MoT)	Reform: Creating alternatives to energy- and space-intensive road transport
	Investment: New technologies and digitisation in transport infrastructure
	Investment: Electrification of railways
	Investment: Improving the environment (support for rail infrastructure)
	Investment: Road and rail transport safety (level crossings, bridges, tunnels, cycle paths and obstacle-free routes)

The implementation of the component will administratively start with the announcement of calls for individual investments, which should ideally be implemented in March this year. However, the Railway Administration's projects starting from February 2020 are physically already underway.

The first milestones and targets to be met by 30 June 2022 include, in addition to defining a set of projects in the areas of modern rail infrastructure technologies, electrification of railways and railway infrastructure support, the completion of 45 level crossings with enhanced safety, the construction of 25 km of cycle paths, footpaths and obstacle-free routes and 3 modernised artificial railway structures (bridges, tunnels).

By the end of 2022, the plan is to complete 26 projects in the area of railway infrastructure support (modernisation of lines, railway stations and station buildings), modernise 3 more artificial railway structures, complete 115 more level crossings with enhanced safety and construct 24 km of cycle paths, pavements and barrier-free routes.

In addition to the usual risks associated with the implementation of infrastructure projects, such as delays in permitting processes and procurement procedures, it is also necessary to take into account possible further cost increases beyond the expected price of construction due to high prices of construction materials and many other inputs. Further complications may arise in relation to the not yet fully clarified requirements for compliance with the "Do No Significant Harm" environmental principle.

Component Reducing energy consumption in the public sector

Component	Subcomponent
2.2 Reducing energy consumption in the public sector	Investment: 2.2.1 Improving the energy performance of buildings owned by State organisational units (MIT)
	Investment: 2.2.2 Reducing the energy consumption of public lighting systems (MIT)
	Investment: 2.2.3 Improving the energy performance of buildings owned by public entities (MoE)

In component 2.2 of the NPO, i.e. in subcomponent **2.2.1 Improving the energy performance of buildings owned by State organisational units** and subcomponent **2.2.2 Reducing the energy consumption of public lighting systems**, the management, monitoring and reporting processes were completed during 2021 in accordance with the requirements of the NPO and the NPO Delivery Unit. At the same time, the relevant calls have been prepared and published on the www.mpo-efekt.cz website. During 2022, the collection of applications will be launched in the *MIT Agenda Information System* (AIS), which provides a fully digitised environment for the administration of the relevant subsidies. Last but not least, it is also a prerequisite for the reporting of relevant data that will be further reported to the NPO Delivery Unit and the European Commission. During 2022, projects will be launched in the above-mentioned calls. Given the nature of the calls, it is expected that the implementation of individual projects will take on average 1 to 2 years after the submission of the grant application. The calls under subcomponents 2.2.1 and 2.2.2 were announced on the www.mpo-efekt.cz website. The application process is expected to start during Q2 2022.

Coinciding risks for Sub-Components 2.2.1 and 2.2.2 are the rising prices of key materials, the long-term workload of construction firms, and continued annual inflationary pressure to an extent not anticipated for the purposes of sub-component implementation. Therefore, if this trend continues, it can be expected that the amount of allocated funds will not be sufficient to meet the set milestones in the form of energy savings indicators and the number of projects implemented without the necessary increase. Given the fact that both components are expected to carry out selection procedure for suppliers of the subject supplies before the implementation phase of the projects, we can expect unexpected delays that will extend the project implementation time beyond the planned two calendar years. Particularly for subcomponent 2.2.1, where the only beneficiaries are State organisational units, this is a long-term trend where selection procedures often suffer from excessive delays caused by, for example, complex objection procedures. For the above reasons, complications may arise which may result in the beneficiary's inability to implement the supported projects within the deadline. In view of the existing conditions set by the Commission, VAT cannot be reimbursed from the RRF. However, some applicants such as State institutions and municipalities do not have sufficient own resources to finance VAT. Therefore, it is crucial to cover the additional financial needs associated with the increase in renovation costs and VAT from the State budget.

Activity **2.2.3 Improving the energy performance of buildings owned by public entities** is implemented through the NPE. The implementation entity is the State Environmental Fund (SEF CR).

In November 2021, the MoE announced Call No 12/2021 under the NPO activity 2.2.3 with an allocation of CZK 3.285 billion. Applications will be accepted from 1 December 2021 to 30 September 2022.

The call is directly linked to the previous 146th call of the OP Env 2014–2020 and it should mainly support the positively evaluated projects from this call for which there are no funds left within the OP Env. At the same time, this call is also open for brand new projects with the deadline for applications on 30 September 2022. The rules and conditions of support are very similar to those in the OP Env 2014–2020 for this area; however, there are also new conditions, such as achieving a minimum of 30% savings of primary energy from non-renewable sources compared to the original situation. This call should be followed by a new call for public buildings from the OP Env 2021–2027.

For the MoE, the main risk identified in this area is the general risk associated with price increases (mainly influenced by increases in energy prices, material input prices and inflation).

Rising prices of construction materials and works pose a certain risk of projects being withdrawn from selection procedures. Under the new OP Env, the change in actual implementation costs over time will be addressed in some support areas through a coefficient linked to the change in the index of construction works in the area of buildings.

Component Transition to cleaner energy sources

Component	Subcomponent
2.3 Transition to cleaner energy sources (MIT)	Reform: Development of renewable energy sources
	Reform: Transformation and modernisation of the heating sector (heat supply systems)
	Investment: Construction of new photovoltaic energy sources
	Investment: Modernisation of heat distribution

In the second half of 2021, calls were being prepared and the MS2014+ system for receiving and administering applications was being set. The calls are expected to be announced in Q1 2022. Risks identified include rising commodity prices or even a shortage of components for the construction of energy facilities, insufficient capacity of assembly companies and permitting processes of building authorities.

Component Developing clean mobility

Component	Subcomponent
2.4 Developing clean mobility	Reform: 2.4.1.0 Building infrastructure
	Investment: 2.4.1.1 Building infrastructure – for public transport (MoT)
	Investment: 2.4.1.2 Building non-public infrastructure (MIT)
	Investment: 2.4.1.3 Building infrastructure – charging stations for residential buildings (MoE)
	Reform: 2.4.2.0 Support for the purchase of vehicles
	Investment: 2.4.2.1 Support for the purchase of vehicles – vehicles (electric, hydrogen) for business entities including electric cargo bikes (MIT)
	Investment: 2.4.2.2 Support for the purchase of vehicles (electric, hydrogen) and non-public charging infrastructure for municipalities, regions and State administration (MoE)

Investment: 2.4.2.3 Support for the purchase of vehicles – vehicles (battery-powered trolleybuses and low-floor trams) for public transport in the Capital City of Prague (MoT)
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Within the scope of the MIT activities in the second half of 2021, calls were being prepared and the MS2014+ system for receiving and administering applications was being set. The calls are expected to be announced in Q2 2022. Risks identified include rising commodity prices or even a shortage of components for the construction of energy facilities, insufficient capacity of assembly companies and permitting processes of building authorities.

The objective of the component is to accelerate the construction of alternative fuel charging and refuelling stations and to increase the share of alternative fuel vehicles.

Activity 2.4.1.3 Building infrastructure – charging stations for residential buildings is implemented through the New Green Savings Programme of the MoE. The implementation entity is the SEF CR.

In September 2021, the MoE announced two calls under NPO Activity 2.4.1.3 (Call No 1/2021 for submission of applications under the New Green Savings Programme – single-family houses and Call No 2/2021 for submission of applications under the New Green Savings Programme – apartment buildings). The supported areas include the acquisition and installation of charging stations for electric vehicles (M1 category vehicles) and any other equipment necessary for their operation. Applications will be accepted from 12 October 2021 to 30 June 2025.

Based on current developments, the potential for interest in support for the installation of charging stations in the next 12 months can be predicted for approximately 1 000 single-family houses and approximately 20 applications for apartment buildings.

Activity 2.4.2.1 Support for the purchase of vehicles – vehicles (electric, hydrogen) for business entities is aimed at promoting sustainable and emission-free mobility, which has an impact on reducing emissions especially in cities and municipalities with high traffic intensity. An amount of CZK 940 million is allocated for this activity; CZK 300 million is further allocated for non-public charging stations.

Activity 2.4.2.2 Support for the purchase of vehicles (electric, hydrogen) and non-public charging infrastructure for municipalities, regions and State administration will be implemented by the MoE through the NPE. The implementation entity is the SEF CR. The call under Activity 2.4.2.2 is expected to be announced in Q1 or Q2 2022. The estimated allocation is CZK 0.6 billion.

The risks here are of economic nature – inflation in the prices of consumer goods, energy and all housing costs, etc. leads to a significant decline in the financial availability of previously potential customers ready for fleet renovation and has an even greater impact on more expensive alternative-fuel vehicles. Another potential risk, especially in relation to meeting the planned milestones, is the possible lack of electric vehicles on the market. There is also a lack of significant State support to motivate individuals to purchase, for example, electric vehicles (subsidies for their purchase, as seen in neighbouring European countries).

Component Building renovation and air protection

Component	Subcomponent	Reforms/Investments
2.5 Building renovation and air protection (MoE)	2.5.1 Renovation and revitalisation of buildings for energy saving	Reform: Renovation wave in the residential sector
	2.5.2 Replacement of stationary sources of emission pollution in households with renewable energy sources and development of renewable energy sources	Reform: Improving the legal, administrative and economic framework for the development of renewable energy sources
	2.5.3 Support for pre-project preparation and awareness raising, education, training and information in the field of energy saving, use of RES and reduction of emissions of greenhouse gases and other air pollutants	Reform: Promoting community energy
		Reform: Reform accompanying measures
		Investment: Renovation and revitalisation of buildings for energy saving
		Investment: Support for replacement of non-compliant heat sources and stand-alone RES installations – NGS 2030 Programme
Investment: Pre-project preparation and awareness raising		

The aim of the component is to ensure that buildings in the Czech Republic are energy efficient and adapted, to improve air quality by reducing emissions of greenhouse gases and other harmful substances, to support adaptation and mitigation measures related to climate change in the residential sector, to increase the share of renewable energy sources, and last but not least to raise awareness about reducing energy or water consumption.

An essential measure to reduce pollutant emissions and improve air quality, especially in human settlements, is the replacement of non-compliant stationary combustion sources in households.

The component is implemented mainly through the continuation of the New Green Savings Programme, which continues to focus primarily on supporting energy renovation of residential sector buildings, construction of new buildings for housing with very low energy consumption, or implementation of adaptation and mitigation measures on residential sector buildings.

The New Green Savings Programme under the NPO (Component 2.5 and Activity 2.4.1.3) was launched on 21 September 2021 with the announcement of two calls by the MoE (Call No 1/2021 for the submission of applications under the New Green Savings Programme – single-family houses and Call No 2/2021 for the submission of applications under the New Green Savings Programme –

apartment buildings). Applications will be accepted from 12 October 2021 to 30 June 2025. A total of CZK 11 billion is allocated for both calls.

Based on the current development, the potential interest in support for the implementation of approximately 32 000 energy-saving measures in the residential sector with the required amount of support of approximately CZK 5.3 billion can be predicted in the next 12 months. One of the priorities in the next 12 months is to support the replacement of non-compliant solid fuel heating sources in households with low-emission sources (heat pumps, gas condensing boilers and biomass boilers) and optimise their operation in relation to Act No 201/2012, on air protection. This Act prohibits the operation of solid fuel boilers of emission class 1 and 2. Based on a decision of the Government of the Czech Republic, an amendment to the Air Protection Act was submitted to the Parliament of the Czech Republic, which postpones the entry into effect of the above-mentioned ban, originally set for 1 September 2022, for another two years to 1 September 2024. The reason for the postponement is the current situation in the energy sector and the supply and availability of fuels, as well as problems in the availability of new heat sources (boilers, heat pumps) for the replacement of non-compliant boilers. In addition to the replacement of substandard heat sources, the programme also focuses on the installation of RES equipment (photothermal and photovoltaic solar systems), and the programme also supports other adaptation and mitigation measures (green roofs, rainwater harvesting, heat recovery from waste water and air, shading, etc.) to reduce energy consumption and adapt to climate change in residential and family houses.

Further calls will be announced in 2022, namely four calls under NPO activity 2.5.3. These are calls in the EFEKT programme of the MIT and in the NPE of the MoE. The implementation entity on the part of the MoE is the SEF CR.

In Q1 2022, the MIT will announce two calls from the EFEKT programme, Call No NPO 3/2022 for support of M-EKIS mobile energy and consultation centres, and Call No NPO 4/2022 for support of NEO energy measure proposals (pre-project preparation). In Q1 to Q2, the MIT will announce a call from the EFEKT programme to support the improvement of professional competences of local action groups in the field of energy savings. In 3Q to 4Q, the MoE will then announce a call from the NPE to support environmental education programmes on climate change. The total allocation for these calls for NPO Activity 2.5.3 is CZK 0.058 billion (for 2022).

For the implementation of component 2.5 NPO objectives, the biggest risk is the reduction of the allocation by the funds that should have been provided from the State budget for the reimbursement of VAT as an eligible expenditure of the final applicants' projects. The reduction of the original allocation of CZK 19.00 billion, which included the achieved effects on VAT, to CZK 16.08 billion, is a quantified reason for jeopardising the achievement of the component's objectives.

There is a risk of the implementation of projects slowing down due to the next possible wave of the COVID-19 pandemic and lack of funding, as well as insufficient quantity of products meeting the required market conditions (boilers).

Furthermore, the lack of products on the market for exchange and the lack of workforce (companies) able to serve all applicants may be a risk in the investment. The willingness of households to invest and co-finance is also a risk. The risk of emissions of air pollutants from biomass combustion is addressed by setting an ecodesign requirement for all supported biomass boilers (boilers excluded from the scope of Commission Regulation (EU) 2015/1189 will also be excluded from support). Another significant

risk to the achievement of the component’s objectives is the general increase in prices, mainly of energy and construction works and materials.

Component Nature conservation and adaptation to climate change

Component	Subcomponent
2.6 Nature conservation and adaptation to climate change (MoA)	Investment: 2.6.1 Flood protection
	Investment: 2.6.2 Support for measures on small watercourses and small reservoirs
	Investment: 2.6.3 Irrigation
	Investment: 2.6.4 Implementation of land improvements with a positive effect on erosion prevention and rainfall retention
	Investment: 2.6.5 Building climate resilient forests
	Investment: 2.6.6 Water retention in forests

Investments 2.6.1 Flood protection

The “Flood protection” investment contributes to flood protection of people and property, especially in areas with significant flood risk. The investments contribute to the construction of dry reservoirs (polders), and to the modification of existing water works to achieve retardation of surface water runoff and reduction of flood wave velocity. It also supports the securing of waterworks so that they are able to safely handle a control flood wave (10000-year flood control wave), measures along watercourses in built-up areas, and project documentation for flood control structures. The supported entities are the State enterprises Povodí, Lesy ČR and municipalities. The total allocation of the investment is CZK 2 530 million. Start of measure implementation – February 2020.

Implementation progress

By the end of 2021, the implementation of three projects with a subsidy of CZK 12.34 had been completed. The project documentation for the construction permit for the project Flood Control Measures Lužec nad Vltavou (investor Povodí Vltavy, s.p.), construction of the dry polder P7 in Studénka (investor Studénka municipality), and the Flood Control Measures Lipinský potok (investor Lesy ČR, s.p.). Eighty percent of the NPO actions have already started and the remaining ones are at the stage of contractor public procurement.

Outlook for the next 12 months

In the next 12 months, all NPO projects will be contracted and 22 projects, with a subsidy of CZK 670 million, are expected to be completed.

Investment 2.6.2 Support for measures on small watercourses and small reservoirs

The “Support for measures on small watercourses and small reservoirs” investment lead to a significant improvement in the morphological condition of the beds of small watercourses and small reservoirs. They support the water regime of the landscape, enhance water retention in the landscape, increase the development of riparian vegetation and water retention in watercourses. The total allocation of the investment is CZK 1 850 million. Start of measure implementation – April 2020.

Implementation progress

Under the 129 390 programme “Support for measures on small watercourses and small water reservoirs – 2nd stage”, decisions on the award of subsidies were issued for 505 projects with a total subsidy of CZK 1 114 million. Currently, the 129 392 sub-programme “Support for measures on small watercourses and small water reservoirs – 2nd stage” is continuously open for applicants – the State enterprises Povodí and Lesy ČR.

Outlook for the next 12 months

In the second half of 2022, the MoA plans to announce a call for municipalities and associations of municipalities with an allocation of approximately CZK 500 million in the 129 393 sub-programme “Support for measures on ponds and small water reservoirs owned by municipalities – 2nd stage”.

Investment 2.6.3 Irrigation

The “Irrigation” investment is listed in the National Recovery Plan under component 2.6. Nature conservation and adaptation to climate change, which was approved by the Government of the Czech Republic on 17 May 2021, but was subsequently not included by the EC in the CID.

Investment 2.6.4 Implementation of land improvements with a positive effect on erosion prevention and rainfall retention

The “Implementation of land improvements with a positive effect on erosion prevention and rainfall retention” investment will implement the necessary environmental protection and climate change adaptation measures in the form of specific projects in the landscape. Environmental protection will focus primarily on protecting the quality and quantity of soil and water. Individual projects will implement erosion control measures in the landscape to eliminate the adverse effects of surface runoff (ditches, furrows, balks, grass strips and other retention features). Furthermore, measures to retain water in the landscape in the form of specific projects (blue infrastructure), such as the implementation of wetlands, pools, revitalisation of watercourses and water storage reservoirs, and measures to enhance biodiversity and non-productive functions of the landscape (green infrastructure) – elements of the territorial system of ecological stability (biocentres, biocorridors, interaction elements and other planting of greenery outside the forest and in agricultural landscapes).

The supported entity is the State Land Office. The total allocation of the investment is CZK 826.4 million without VAT. Preparation and implementation of measures – March 2021.

Implementation progress

In 2021, 26 projects worth CZK 64 million were implemented, through which 21 ha of measures to protect the environment and adapt to climate change, and 37 ha of green infrastructure measures supporting biodiversity were built in the landscape.

Outlook for the next 12 months

In 2022, projects worth approximately CZK 300 million are prepared.

Investment 2.6.5 Building climate resilient forests

Investments in reforestation in the sense of changing the species, age and spatial composition of forest stands resistant to climate change will improve the resilience and condition of forest ecosystems after the bark beetle calamity and will go a long way towards ensuring the sustainable fulfilment of forest functions. Supported entities are forest owners and holders. The total investment allocation for the period 2/2020–12/2023 is CZK 8 540 million. Start of measure implementation – February 2020.

Implementation progress

The data for the period 2/2020–12/2021 are still being evaluated (we expect the data to be completed during the first half of 2022. Back checking of applications is currently underway; the achievement of the target to be reported in Q3 2022 is based on these applications). The target set for this period is the restoration of a minimum of 12 000 ha of forest stands ameliorative and reinforcing trees. The allocation for the entire measure including natural and artificial regeneration of habitat-appropriate tree species, securing them and ensuring their growth, conversion of stands with unsuitable or substitute tree species composition or reconstruction of stands after damage, establishment of new fences, subsequent care of planted forest stands and storing of brushwood on piles or mounds with its retention for decay in the forest stand for the period 2/2020–12/2021 amounted to CZK 2 989 million.

Outlook for the next 12 months

For the above measure, the allocation for the period 2/2021–12/2022 in the NPO is again approved in the amount of CZK 2 989 million.

Investment 2.6.6 Water retention in the forest

The “Water retention in the forest” investment contributes to improving the retention capacity of forests through the implementation of gentle forestry measures, which are measures that contribute to improving soil, water and microclimatic conditions, controlling accelerated erosion, adjusting the water regime of forest soils and protecting river basins. Supported entities are forest owners or holders and administrators of small watercourses. The total investment allocation for the period 2/2020–12/2023 is CZK 300 million. Start of measure implementation – February 2020.

Implementation progress

At present, the MoA registers 19 completed projects, with a number of projects from 2020 and 2021 still in the implementation phase.

Outlook for the next 12 months

In the period 2/2020–12/2022, the objective is to support 40 projects with a total subsidy of CZK 200 million.

Information on the announcement of calls

All information on the announced calls under component 2.6. Nature conservation and adaptation to climate change are published by the MoA on its website: <https://eagri.cz/public/web/mze/dotace/narodni-plan-obnovy/>.

Investment 2.6.1 – The “*Support for Flood Prevention IV*” programme is implemented in the years 2018–2028. Implementation takes place continuously without calls.

Investment 2.6.2 – The “*Support for measures on small watercourses and small reservoirs – Stage 2*” programme is implemented in the years 2020–2024. Implementation takes place continuously with calls.

Investments 2.6.4 – Implementation of investment 2.6.4 takes place continuously without calls.

Investments 2.6.5 and 2.6.6 – Implementation of investments 2.6.5 and 2.6.6 takes place continuously without calls. Applications submitted from 02/2020 to 12/2023 are covered from NPO resources.

Identification of risks and potential obstacles in implementation.

As a result of the lengthy approval of the NPO combined with the effects of the COVID-19 pandemic, the slow progress of selection procedures of contractors, the implementation of several projects has been delayed and the timeframe for the implementation of appropriate green infrastructure measures supporting biodiversity has been shortened, negatively impacting the timelines for meeting some of the milestones and targets of Component 2.6 Nature conservation and adaptation to climate change.

Component Circular economy, recycling and industrial water

Component	Subcomponent
2.7 Circular economy, recycling and industrial water	Reform: 2.7.1 Implementation of the new waste management legislation in the Czech Republic (MoE)
	Investment: 2.7.1.1 Building recycling infrastructure (MoE)
	Investment: 2.7.1.2 Building waste-energy infrastructure for the management of selected types of waste ⁶ (MoE)
	Reform: 2.7.2 Completion and implementation of the Circular Czechia 2040 strategy (MoE)
	Investment: 2.7.2.1 Circular solutions in enterprises (MIT)
	Investment: 2.7.2.2 Water savings in industry (MIT)

Reform 2.7.1: Implementation of the new waste management legislation in the Czech Republic

The reform is a process of coordination and implementation of the newly adopted legislation on waste management in the Czech Republic.

The **new waste legislation** (the new Act No 541/2020, on waste; Act No 542/2020, on end-of-life products; and the amendment to Act No 545/2020, on packaging), which entered into effect on 1 January 2021, fundamentally supports the transition to a circular economy and reflects all binding targets resulting from adopted European law.

At the same time, the preparation of the update of the *Waste Management Plan of the Czech Republic for the period 2015–2024 (WMP)*, which is the basic strategic document and vision for waste management until 2035, is being finalised. The update was slightly delayed due to the preparation of new legislation; however, at the end of Q1 2022, the Waste Management Plan was submitted to the Government of the Czech Republic for approval. The approval of the update of the national WMP is expected in April 2022 and the update of the regional WMPs will be launched afterwards.

⁶ Investment 2.7.1.2 is to be covered by the State budget

A new draft **Act on limiting the environmental impact of selected plastic products**, which transposes the requirements of the directive on limiting the environmental impact of certain plastic products, was re-approved by the Government in November 2021. The draft Act is being debated in the Parliament of the Czech Republic. However, the transposition deadline for the directive on limiting the environmental impact of certain plastic products has already passed in July 2021. The Act is proposed to take effect from 1 July 2022.

Reform 2.7.2: Completion and implementation of the Circular Czechia 2040 strategy

The reform is a national strategic framework of circular economy for the transformation of the whole society to circular economy principles.

The **Strategic Framework for the Circular Economy of the Czech Republic 2040**, approved by the Government of the Czech Republic on 13 December 2021, formulates priorities and steps leading to the long-term sustainability of the Czech Republic against future environmental threats, including climate change and biodiversity loss, and the development of a sustainable social system. The Strategic Framework defines the individual objectives and sets out the measures and tools to achieve them. A follow-up Implementation Action Plan for the period 2022–2027 will be prepared in 2022, setting out specific activities and tasks for the following six-year period to contribute to the fulfilment of the objectives set out in the Strategic Framework. The Action Plan will be submitted to the Government by 31 October 2022.

Investment 2.7.1.1: Building recycling infrastructure

The planned investment will be focused on biodegradable waste and thus support projects leading to the development of a circular economy in the field of biodegradable waste management.

The specific subject of support will be the solution of the problem of the final disposal of compost (or digestate and fugate) produced from biodegradable waste in composting facilities or biogas plants into agricultural land. The support will be intended mainly for agricultural entities and enterprises active in the field of waste management (composting plants, biogas plants).

The announcement of the subsidy call and the start of receiving project applications is expected in Q2-Q3 2022 with a planned allocation of CZK 1.6 billion.

The investment will be implemented by the MoE through the NPE. The implementation entity is the SEF CR.

Investment 2.1 Circular solutions in enterprises

The investment will be focused on the support and development of circular solutions in business entities, in particular investments in innovative technologies enabling new or higher use of secondary raw materials as a substitute for primary resources, investments in innovative technologies to reduce the material intensity of production and substitute primary input raw materials with secondary ones, optimisation of material ecodesign of products to facilitate recycling and reuse, projects and implementation of industrial symbiosis and other investment business projects leading to the transition to circular economy. The investment will also support projects dealing with the targeted application of recycled materials in products.

The investment will be implemented by the MIT using the structure for the implementation of cohesion funds. A call will be announced no later than in Q2 2022.

Investment 2.2 Water savings in industry

The investment will be aimed at supporting water efficiency projects such as optimising water consumption within the production or technological process itself by installing new technologies and equipment to save water, direct water recycling in water-intensive industries and businesses, reuse of polluted/used process water in other processes, optimising water use in service operations of companies, reducing water losses in closed circuits or water distribution systems, exploiting the potential of waste steam, and others.

The investment will be implemented by the MIT using the structure for the implementation of cohesion funds. A call will be announced no later than in Q2 2022.

Component Revitalisation of areas burdened by old construction

Component	Subcomponent
2.8 Revitalisation of areas burdened by old construction	Investment: 2.8.1 Investment support for regeneration of specific brownfields (MoRD)
	Investment: 2.8.2 Investment support for regeneration of brownfields owned by municipalities and regions for non-business use (MoRD)
	Investment: 2.8.3 Investment support for regeneration of brownfields owned by municipalities and regions for business use (MIT)

The Ministry of Regional Development (MoRD) owns two investments in this component:

- Investment support for regeneration of specific brownfields (2.8.1)
- Investment support for regeneration of brownfields owned by municipalities and regions for non-business use (2.8.2)

The third investment - Investment support for regeneration of brownfields owned by municipalities and regions for business use (2.8.3) is owned by the MIT.

During 2021, preparatory work continued on setting up the system for implementing the component at the MoRD. It was not possible to announce calls for proposals until the end of 2021 due to the negotiation of the specific wording of parameters mainly related to the implementation of the European Green Deal.

In 2022, work will continue on setting up a proper implementation structure. The parameters of the calls are expected to be set in Q1 2022. Work will continue on the amendment of Government Regulation No 496/2020, which is necessary for co-operation with the intermediary body – the State Investment Support Fund (SISF) and a condition for the announcement of the call financed from the RRF. The SISF will build on the experience of the Brownfields programme, which successfully announced its first calls in 2021. In 2022, the conditions of the call will be modified to fit the parameters of the NPO. The setting of specific parameters for the challenges is still ongoing.

The first call under 2.8.2 Investment support for regenerations owned by municipalities and regions for non-business use should be announced in Q1 2023.

In 2022, preparatory steps will also be taken to announce call 2.8.1 Investment support for regeneration of specific brownfields. Here, it is necessary to establish deeper co-operation with the regional standing conferences, which will participate in the pre-selection of projects so that the requirement for the implementation of one project in each of the regions of the Czech Republic can be met.

The following factors can be considered significant implementation risks:

- Insufficient interest of applicants for support caused, among other things, by the parameters being set at a time preceding significant inflation, which was reflected in above-standard increases in the prices of construction work. This results in a relatively low level of project support compared to other instruments;
- Failure to meet the milestones set in the CID Annex;
- Failure to meet the indicators set in the CID Annex;
- Incorrectly configured implementation system on the component owner side.

Component Promoting biodiversity and combating drought⁷

Component	Subcomponent
2.9 Promoting biodiversity and combating drought	Reform: 2.9.0 Amendment to the Water Act – Drought and water scarcity management (MoE, MoA)
	Investment 2.9.1 Ensure drought protection and nature-based flood protection in built-up areas of Brno (MoE)
	Investment 2.9.2 Rainwater management in built-up areas (MoE)
	Investment: 2.9.3 Care for specially protected areas and Natura 2000 sites and care for specially protected species of plants and animals (MoE)
	Investment: 2.9.4 Adaptation of aquatic, non-forest and forest ecosystems to climate change (MoE)

The objective of the component is to ensure drought protection and nature-based flood protection in built-up areas of Brno and to support rainfall water management in built-up areas (activities 2.9.1 and 2.9.2). The component also aims to preserve and improve the condition of the objects of protection of specially protected areas and Natura 2000 sites, restore aquatic, non-forest and forest ecosystems and mitigate the impacts of climate change on these ecosystems, promoting biodiversity and controlling the spread of invasive species (activities 2.9.3 and 2.9.4).

⁷ 2.9 Promoting biodiversity and combating drought

The measures to be supported under activities 2.9.1 and 2.9.2 have so far been supported by the OP Env 2014–2020. These activities will be implemented through the NPE, the implementation entity is the SEF CR.

In November 2021, the MoE announced Call No 10/2021 NPE within the framework of NPO activities 2.9.1 and 2.9.2: Water management in municipalities. Applications will be accepted from 12 January 2022 to 31 October 2022. CZK 1.754 billion is allocated for the call.

In January 2022, the implementation of the project aiming to ensure flood protection in built-up areas of Brno was started within the framework of activity 2.9.1.

Activities 2.9.3 and 2.9.4 will be implemented through the continuation of the Support for the Restoration of Natural Landscape Functions programme. It is foreseen that the annual calls will be announced in the spring months at the latest. Implementation will be carried out with the involvement of the Nature Conservation Agency of the Czech Republic.

In Q2 2022, the MoE will announce two calls under the Support for Natural Landscape Functions programme within the framework of activities 2.9.3 and 2.9.4. A total of CZK 0.234 billion is allocated for the calls (for 2022).

With the exception of activity 2.9.1, risks are identified for all activities.

Achievement of the objective of activity 2.9.2 in terms of the volume of retained rainwater is jeopardised due to price increases, especially prices of construction works.

For activities 2.9.3 and 2.9.4, one of the main risks is the non-provision of VAT funding. In the case of activity 2.9.3, where the only applicants are departmental organisations of the MoE, the non-reimbursement of VAT will basically mean that these organisations will not be able to apply for the subsidy at all, as they have no/sufficient own resources to finance the VAT. If no source of financing is found, this would mean not only that the milestones would not be met, but that there would be virtually no take-up in this activity. For activity 2.9.4, this will mean a decreased interest in the subsidy, as we have always provided up to 100% subsidy of the eligible costs of the project for similar measures under the Support for the Restoration of Natural Landscape Functions programme. Further risks are the rise in prices of materials, energy, fuels, and the inflation – the milestones were set in May 2021 using then current price lists which did not take the above into account. Therefore, the set milestones may not be achieved with the same funding. Insufficient staffing is also a risk, with only one position added for 2.9.3 and 2.9.4.

Reforms and public investment beyond the National Recovery Plan

Energy efficiency

Based on the decrease in final energy consumption in 2019, it can be assumed that the Czech Republic will meet the 2020 target of 1060 PJ [the Czech Republic's contribution to the EU target in accordance with Article 3 of the Energy Efficiency Directive (2012/27/EU)]. A positive trend in energy consumption can be observed in the industrial and household sectors, whereas the transport sector shows a long-term upward trend. As part of the fulfilment of its obligations under Article 7 of the Energy Efficiency Directive (2012/27/EU), the Czech Republic has managed to reduce the fulfilment deficit by 82 PJ, mainly by significantly increasing the contribution of financial measures. However,

the deficit in implementation persists and it can be assumed that the Czech Republic will not meet its 2020 commitment. These targets will be finally reported in April 2022.

In the area of financial instruments, the State Programme for the Promotion of Energy Savings – EFEKT III for the period 2022–2027 was announced in 2021. The programme is focused on non-investment support for energy savings and reduction of energy intensity. Pre-project preparation, consultancy, training, energy management and concepts and pilot projects will be supported.

In the field of legislation, an amendment to Act No 406/2000, on energy management, was prepared in 2021, which concerns the addition of the obligation to install devices registering the supply of thermal energy with remote reading and specifying the requirements for equipping residential buildings and multi-purpose buildings with such devices. The addition of these provisions to the Act fully transposes Directive (EU) 2018/2002 amending Directive 2012/27/EU on energy efficiency. Furthermore, Decree No 140/2021, on energy audit, and Decree No 141/2021, on energy assessment and on data recorded in the Energy Consumption Monitoring System, entered into effect. The decree on energy audit has brought the procedure of conducting an energy audit closer to the generally applicable standard, ČSN ISO 50002, and thus only specifies the requirements for the content of the report on the energy audit, not the whole process as it did before. The decree on energy assessment brings changes of a legislative and technical nature, especially with regard to the beginning of the new programming period and new support programmes.

Investments in transport infrastructure

In 2021, a total of more than CZK 17 billion was invested in the development of the transport sector under the Operational Programme Transport 2014–2020 (OP T). Over CZK 7 billion was invested in sustainable transport modes (railways, multimodal transport, urban rail transport, mobility on alternative drives), of which the largest part (CZK 4.78 billion) was spent on railway infrastructure and its equipment with intelligent transport systems and almost CZK 2.16 billion on urban rail transport infrastructure (tram and trolleybus lines). Investments amounting to CZK 4.5 billion went into the construction of motorways of the Trans-European Transport Network (TEN-T).

In 2022, the OP T 2014–2020 funds will be completely drawn and the implementation of OP T 2021–2027 will start. In particular, this programme will continue to support the development of TEN-T and other than TEN-T rail and road networks and the deployment of intelligent transport systems. Greater emphasis will also be placed on the development of urban rail transport infrastructure and infrastructure for the use of alternative fuels (publicly accessible charging stations for electric vehicles and refuelling stations for hydrogen and LNG), which will receive a significantly higher allocation from the Cohesion Fund in the total amount of more than CZK 6 billion compared to OP T 2014–2020. This support is linked to support for the purchase of electric/hydrogen vehicles, especially for businesses and also for the public sector. Without these supports, charging/pumping station operators will have no incentive to invest heavily in them.

Modernisation Fund

In January 2021, the Government approved the Programming Document of the Modernisation Fund, which contains 9 specific programmes. In 2021, calls have been announced to support the modernisation of heating plants, the construction of photovoltaic power plants and the improvement of energy efficiency and the reduction of greenhouse gas emissions in industry. In the first half of 2021, support from the first three main programmes of the Modernisation Fund was launched. The open calls

focus on changing the fuel base in the heating industry, building new renewable energy sources and measures in EU ETS facilities aimed at energy savings and reduction of greenhouse gas emissions. According to the law, approximately 58% of the resources from the Modernisation Fund will be allocated primarily to electricity producers in the EU ETS. The funds will be used in the years 2021–2030 and we expect that they will save 18 million tons of CO₂ emissions and 85 PJ per year in energy savings and lead to a reduction in pollutant emissions (5 kt NO_x). Further calls are planned in the next years, e.g. in the field of clean mobility, community energy support or public lighting renovation (complementary to NPO and OP).

Covenant of Mayors

At the end of 2021, the Covenant of Mayors for Climate and Energy was announced within the NPE. Applications can be submitted from 14 February 2022. Municipalities/VUMs/LAGs⁸ can receive up to CZK 2 million for projects under the Covenant of Mayors for Climate and Energy initiative. The funds will enable the development of action plans for sustainable energy and climate action or public events on topical issues such as energy efficiency, renewable energy and climate resilience. Considering the current situation and the fact that municipalities/VUMs/LAGs are increasingly interested in this activity, an increase of the current allocation by CZK 10 million is being discussed. The next call will be announced as soon as possible.

Common Agricultural Policy

The year 2022 will be the second year of a two-year transition period, the key point of which will be the discussion with the EC on the draft Strategic Plan of the Common Agricultural Policy (CAP), which was officially transmitted to the Commission in January 2022. The Commission has six months to approve the Strategic Plan, but the period in which the Czech Republic will deal with its comments and modify the Strategic Plan is not included in the six months. The new conditions will apply to farmers from 1 January 2023.

In the meantime, further discussions will be held with representatives of NGOs and other stakeholders on the technical parameters of setting up individual interventions. The MoA will thus follow up on the intensive discussions from 2021, when representatives of non-governmental non-profit organisations, academia, the EP, the EC, the Parliament of the Czech Republic and others were and will again be involved in the negotiations – more than 75 organisations and institutions are regularly invited to the negotiations.

Discussions will also continue at the EU level during 2022, where the remaining delegated and implementing acts not adopted in 2021 will still be discussed.

Support under the CAP 2021–2027 will be drawn from the European Agricultural Guarantee Fund – Direct Payments and the European Agricultural Fund for Rural Development – Rural Development Programme. Applications for direct payments and certain measures under the RDP will be received via the single application. In 2021 and 2022, until the new CAP Strategic Plan for the period 2023–2027 enters into force, the aid from the second pillar of CAP will be provided through the extended RDP 2014–2020. This is thanks to the transfer of the allocation for 2021 and 2022 to the financial budget for the RDP. The budget for these two years will also be reinforced by the *Next Generation EU* budget.

⁸ Voluntary associations of municipalities, Local Action Groups

Reform of State forest and hunting administration bodies

The reform of the State administration of forests and hunting is part of the Application Document to the Concept of the State Forest Policy until 2035, which was approved by Government Resolution No 116 of 17 February 2020. The Application Document of the Concept itself was noted by the Government on 25 January 2021. The MoA, in co-operation with other entities directly concerned by this issue, is discussing the possibilities of reforming the State administration of forests and hunting. The forestry and hunting entities concerned, with the exception of the MoI, agree on the need to introduce a new system of State administration of forests and hunting, in particular for a more efficient performance of supervisory activities. The implementation of this measure within the Concept is set for 2026.

This reform fits into NPO 2.6 Nature conservation and adaptation to climate change, where the loss of forest cover due to the bark beetle calamity needs to be addressed with all other links (hunting – game management). The reform of State forest and hunting administration bodies would lead to more efficient performance of State administration, therefore more effectively meeting the NPO requirements.

Veterinary legislation

The area of veterinary care reflects the need for long-term sustainability, in particular by raising standards for the responsible use of veterinary medicines, care for the health and well-being of farmed animals, and the quality and safety of food of animal origin. The year 2022 will be marked by the implementation of the new EU legislative frameworks for this area (the Legal Framework for Animal Health, the Regulation on Veterinary Medicinal Products and Medicated Feed), linked in particular to the revision of national legislation (Veterinary Act, Act on Medicinal Products) and the development of digital tools for the performance of State administration in this area. These activities are not included in the NPO funding, but they undoubtedly contribute to the objectives of green transformation, digitisation, population health and resilience, and the SDGs. Critical risks for the moment are in particular the legislative process in the Parliament of the Czech Republic and the financial coverage of activities from the State budget.

Update of the National Action Plan on Clean Mobility

The update of the National Action Plan for Clean Mobility (NAP CM) responds to the implementation process to date, new challenges and reflects the latest developments in EU regulations. In view of the emphasis on achieving decarbonisation in all modes of transport at EU level, the NAP CM includes a separate chapter on clean mobility in non-road modes of transport. The document also contains updated targets for the number of alternative-fuel vehicles and the extent of the accompanying infrastructure in the Czech Republic by 2030. In addition to support for the purchase of vehicles and related infrastructure, it will also be necessary to address the electricity grid, parking of vehicles in underground garages, meeting the requirement to achieve a 14% share of renewable energy sources in transport, support for education, research and development in this area and other measures that will help increase the number of alternative-fuel vehicles in the Czech Republic, reduce emissions from transport and also support the Czech automotive and energy industry in meeting EU directives. The new NAP CM includes all this in its cards on measures.

3.2 Productivity

3.2.1 Digital transformation

Component Digital services for citizens and businesses

Component	Subcomponent
1.1 Digital services for citizens and businesses (MoI)	Reform: 1.1.1 Conditions for good management of data funds and ensuring controlled access to data
	Reform: 1.1.2 E-Health services
	Investment: 1.1.1 Digital services for end users
	Investment: 1.1.2 Development of open data and public data fund
	Investment: 1.1.3 Digital services in the justice sector

The aim of the component is to simplify, optimise and digitise individual agendas performed by the State and public administration (including health care as a complex field of the State economy, which is at least partially managed by the State and financed from public funds). It also aims to:

- Chain these agendas into life situations handled from a single point under one login and in an identical interface, especially through federated portals (Public Administration Portal, Citizen's Portal, Entrepreneur's Portal, Justice Portal, Health Care Portal, ...).
- Provide citizens and business entities with access to State and public administration data enabling them to handle life situations, including non-public data accessible to qualified entities through controlled access while maintaining the principles of security, personal data protection, copyright protection, etc.
- Ensure the establishment of comprehensive binding rules for data management by State and public administration institutions.
- Increase the resilience of the Czech Republic, especially in the area of accessibility of State services during emergencies, which is in line with the EU recommendations for 2019–2021 and includes digital transformation and infrastructure and reducing the administrative burden.
- Strengthen evidence-based government policy capacity and capabilities.

The allocation from the overall plan for this component excluding VAT is: CZK 2 857 million.

The supported entities are central administrative authorities, publicly co-funded organisations, State enterprises.

The individual reforms and investments are largely made up of **pre-defined projects**, with at least one **milestone or target** linked to each investment or reform. Individual projects then contribute to the achievement of at least one milestone or target. **In total, seven objectives and seven milestones** should be met in this component. Of these, **three milestones are expected to be met as early as 2022**.

As the component is composed mainly of pre-defined projects, their objective, financial allocation and approximate timetable are already known. Therefore, the owner of the component already has specific

information about their current status and implementation possibilities. **Projects under this component are primarily focused on the implementation of the Digital Czech Republic programme.**

As the component is mainly composed of pre-defined projects, its implementation will be addressed through continuous closed calls.

Identification of risks

1. The risk of missing deadlines and targets was identified for some projects in components 1.1 and 1.2. The status of the projects is currently being reviewed by the Board of the Government Council for Information Society, and preliminary results indicate that the percentage of projects at risk is estimated at 10-20%.
2. **There are no coherent/clear rules and processes set by the EC in case of non-compliance with the agreed parameters of milestones and targets defined in the CID.**
3. **Insufficient staff capacity (including knowledge and experience of most COs) to implement the NPO.**
4. VAT generally cannot be reimbursed to the Czech Republic from the RRF. For State organisations, including publicly co-funded organisations, this means the need to secure additional funds for the payment of VAT.
5. The recent period has **seen an unprecedented increase in prices**, especially for building materials and construction work. Due to the chip crisis and high inflation, prices of goods are also rising in other areas. This price increase was not foreseeable. This reason applies in general, but affects components 1.1 and 1.2 rather marginally, as construction work has been excluded in preparation and the purchase of technology affected by this situation is minimal.

Single inspection registration portal (SIRP)

The main goal of the SIRP project is to increase the efficiency of the preparation and conduct of inspections of business entities, especially to reduce the administrative burden associated with inspection activities, improve cooperation between inspection bodies and simplify communication between them and the entrepreneurs. Through the *Feasibility Study of the Single Inspection Registration Portal*, the current situation was analysed, the required target state was described and the method of implementation was recommended, including the design of a technical solution. In April 2021, the study showed that the SIRP project was feasible, provided that major changes are made to the legislation, especially to the control regulations.

At the same time, the Study states that the project can be implemented in two phases, i.e. in the first phase to connect inspection bodies under the MIT's responsibility and in the second phase to connect other inspection bodies outside the MIT. Last but not least, the Study identified insufficient staff capacity of the MIT to ensure the implementation of the project.

During 2021, the SIRP project was included in the National Restoration Plan and the currently approved project in the CID envisages the implementation of both phases by Q4 2024. Given the scale and complexity of the project, the MIT will advocate that the SIRP project should be a supra-ministerial

project coordinated from the level of the Deputy Prime Minister for Digitisation, where we see the necessary potential.

Information Obligations Database – IOD

The outputs of the project will be used to measure the administrative burden of the business environment. The project is in the pre-implementation phase. At present, the basic requirements for technical solutions, factual solutions and connections to related information systems of State administration (e.g. eCollection) are being identified. In order to analyse the possibilities of a detailed solution, a feasibility study will be prepared, the specification of which is currently being prepared, and within which the possible risks will also be identified.

Component Digital public administration systems

Component	Subcomponent
1.2 Digital public administration systems (MoI)	Reform: 1.2.1 Competence centres for eGovernment, cybersecurity and eHealth support
	Reform: 1.2.2 Building and developing systems supporting the computerisation of health care
	Investment: 1.2.1 Building and developing individual information systems
	Investment: 1.2.2 Building and developing basic registers and facilities for eGovernment
	Investment: 1.2.3 Cybersecurity
	Investment: 1.2.4 Creating the conditions for digital justice

The aim is to create an effective environment for the digitisation of public administration agendas

(and health care as a complex economic sector financed primarily from public resources), especially from the following perspectives:

- Sharing of data between individual systems (authorities and institutions) through basic registers, linked data pool and Shared Service Information System (eGovernment, SBus);
- Creation or development of existing or new functionalities of backend information systems of individual authorities and institutions, which are used primarily for the performance of their agendas. The main focus here is on mutual co-operation enabling a higher level of internal digitisation of authorities and institutions;
- Cybersecurity of selected central authorities and health service providers, especially in the Prague region;
- Sharing of knowledge, competences, methodologies and standards provided through competence centres, including their transfer to individual authorities and institutions.

The allocation from the overall plan for this component excluding VAT is: CZK 7 054 million.

The supported entities are central administrative authorities, publicly co-funded organisations, State enterprises.

The individual reforms and investments are largely made up of **pre-defined projects**, with at least one **milestone or target** linked to each investment or reform. Individual projects then contribute to the achievement of at least one milestone or target. **In total, five objectives and eleven milestones** should be met in this component. Of these, **six milestones and one target are expected to be met as early as 2022.**

As the component is composed mainly of pre-defined projects, their objective, financial allocation and approximate timetable are already known. Therefore, the owner of the component already has specific information about their current status and implementation possibilities. **Projects under this component are primarily focused on the implementation of the Digital Czech Republic programme.**

As the component is mainly composed of pre-defined projects, its implementation will be addressed through continuous closed calls.

Identification of risks

1. The risk of missing deadlines and targets was identified for some projects in components 1.1 and 1.2. The status of the projects is currently being reviewed by the Board of the Government Council for Information Society, and preliminary results indicate that the percentage of projects at risk is estimated at 10-20%.
2. **There are no coherent/clear rules and processes set by the EC in case of non-compliance with the agreed parameters of milestones and targets defined in the CID.**
3. **Insufficient staff capacity (including knowledge and experience of most COs) to implement the NPO.**
4. VAT generally cannot be reimbursed to the Czech Republic from the RRF. For State organisations, including publicly co-funded organisations, this means the need to secure additional funds for the payment of VAT.
5. The recent period has **seen an unprecedented increase in prices**, especially for building materials and construction work. Due to the chip crisis and high inflation, prices of goods are also rising in other areas. This price increase was not foreseeable. This reason applies in general, but affects components 1.1 and 1.2 rather marginally, as construction work has been excluded in preparation and the purchase of technology affected by this situation is minimal.

Component Digital high-capacity networks

Component	Subcomponent
1.3 Digital high-capacity networks (MIT)	Reform: 1.3.1 Improving the environment for building electronic communications networks Reform: 1.3.2 Supporting the development of the 5G network ecosystem and the further development of these networks Investment: 1.3.3 Building high-capacity connectivity Investment: 1.3.4 Completing the 5G corridors cover and supporting 5G development

Investment: 1.3.5 Supporting the development of 5G mobile infrastructure in investment-intensive rural white areas

Investment: 1.3.6 Research activities related to the development of 5G networks and services

The objective of the component is to ensure, through very high capacity networks (VHCNs), access to data services through internet connectivity to the maximum extent possible for citizens, businesses, public administration and socio-economic actors, especially in rural areas. At the same time, conditions should be created to support the development of 5th generation (5G) networks and services, particularly in areas complementary to the development criteria set by the frequency auction.

The component should achieve the completion of the leapfrog process, after which the Czech Republic can be included among the countries fully prepared for the gigabit society.

Component 1.3 Digital high-capacity networks will be implemented through **six subcomponents**. The amount of funds allocated from the RRF for the implementation of this component is **CZK 5 787 million**.

The reform under subcomponent **1.3.1 Improving the environment for building electronic communications networks** focuses on removing barriers to building electronic communications networks that are detrimental to the planning, construction and operation of these networks. One of the key problems associated with reducing investment costs and accelerating the construction of linear electronic communications structures is the lack of uniform and complete data on the location of the physical infrastructure of electronic communications networks, as well as other infrastructure. The creation of the Digital Technical Map (DTM) will make a major contribution to the solution. A call for applications will be announced at the end of 2022, with the actual mapping and adding of information to the DTM taking place between 2023 and 2025. Another part of the reform aims to address the inconsistent information on connection quality that MIT receives from operators, local governments and citizens. In order to achieve a significant shift in the development of service quality and to better target support at areas with inadequate quality, this reform will build a robust system for measuring the quality of infrastructure and services. In this area, the MIT is already working closely with the Czech Telecommunications Office, and the first part of the reform, consisting of the addition of the necessary measurement equipment and the provision of SW and HW for the creation of a visualisation portal, will take place by the end of the first half of 2023.

In parallel with the above activities, measures, concepts and legislative amendments will be prepared to establish a database of investment plans. Thanks to their subsequent implementation, information on existing infrastructure and on construction works financed from public funds will be easily accessible, thus making the sharing of physical infrastructure more efficient (and in turns reducing costs) in the deployment of high-speed electronic communications networks within the meaning of Directive 2014/61/EU and Act No 194/2017, on measures to reduce the costs of deploying high-speed electronic communications networks.

Under reform **1.3.2 Supporting the development of the 5G network ecosystem**, there are 25 studies aimed at improving the deployment of 5G networks planned to be developed and published (Objective 36). Preparation of the draft text of the public procurement for the first study entitled “*Regulatory Action for compatibility of 5G Cellular Networks with Radio Altimeters*” has started. Discussions on the complete procurement documents are scheduled to start in February or March this year. The development of specifications for further studies will follow.

Investments under component **1.3.3 Building high-capacity connectivity** are aimed at building electronic communications networks where the construction of such networks on a market basis is not feasible. These are typically more remote areas with sparser development. Another key objective of this component is to ensure adequate connectivity of socio-economic actors (schools, hospitals, authorities, etc.). The first call, aimed at building high-capacity networks to enable reliable access to electronic communications services for internet access to end-users (households, businesses, public administrations and other socio-economic actors), especially in rural areas, will be announced at the end of Q1 2022. The terms of the call will be in accordance with Article 52 of Regulation (EU) No 651/2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty, as amended by Commission Regulation (EU) 1237/2021. The projects supported under this call will be implemented by the end of 2025.

Within the framework of investment **1.3.4 Completing the 5G corridors cover and supporting 5G development**, it is planned to improve the coverage of transport corridors (especially the railway corridors Prague – Česká Třebová – Ostrava and Česká Třebová – Brno) with better 5G signal. However, the obligations of mobile operator holders arising from the 5G frequency auction remain in force. No later than in Q2 2022, a public consultation will be held on the intervention areas to be used for the 4G coverage of corridors, which was carried out by the Czech Telecommunications Office in 2021. At the same time, there is a plan to equip railway carriages with 5G signal repeaters or passive walls/windows transmitting the 5G signal. For testing purposes, it is planned to build a co-operative intelligent transport system (C-ITS) on 5G networks.

The objective of investment **1.3.5 Supporting the development of 5G mobile infrastructure in investment-intensive rural white areas** is to improve 5G signal coverage in areas that have never been covered by a mobile signal higher than 3G and that can be expected not to be covered by basic 5G networks in the future due to the low expected profitability of the investment. However, the obligations of mobile operator holders arising from the 5G frequency auction remain in force. A public consultation on the intervention areas will take place no later than in Q2 2022, using the results of the mapping carried out by the Czech Telecommunications Office.

Investment **1.3.6 Research activities related to the development of 5G networks and services** aims to support public and private entities active in research, development and innovation related to 5G networks and services. The objective of this investment will be implemented through the TA CR “Trend” programme and a public procurement announced in 2022.

Component Digital economy and society, innovative start-ups and new technologies

Component	Subcomponent
1.4 Digital economy and society, innovative start-ups and new technologies (MIT)	Reform: 1. Institutional reform of the system of coordination and support for the digital agenda and digital transformation, including the RIS3 strategy
	Investment: 1.1 Launch of the European Centre of Excellence in AI “for a safer society”
	Investment: 1.2 European Digital Media Observatory Hub (EDMO)

	Investment: 1.3 Transfer of foreign best practices and know-how for digital transformation, monitoring and research on socio-economic impacts of the crisis (Samuel Neaman Institute)
	Investment: 1.4 SME management training platform for post-COVID-19 digital transformation
	Investment: 1.5 The European project for DLT funding of SME digitisation to overcome the crisis (European Blockchain Services Infrastructure – EBSI)
	Investment: 1.6 Demonstration projects for the development of applications for cities and industrial areas (e.g. 5G)
	Reform: 2. Joint Strategic Technology Support and Certification Group with the Council for Strategic Technologies
	Investment: 2.1 Czech Rise-Up programmes
	Investment: 2.2 Promoting entrepreneurship, business and innovative companies
	Investment: 2.3 Pilot co-investment funds for the development of pre-seed investments, strategic technologies and university spin-offs within European Centres of Excellence
	Investment: 2.4 Internationalisation of start-ups
	Investment: 2.5 Regulatory sandboxes in line with EU priorities
	Investment: 3.1 Building a quantum communication infrastructure
	Investment: 3.2 Support for aerospace research and innovation

Reform 1: Institutional reform of the system of coordination and support for the digital agenda and digital transformation, including the RIS3 strategy

Preparatory work is currently underway for Reform 1 (composition of bodies, setting up rules and links to existing structures).

Within the framework of **Investment 2 (*European Digital Media Observatory*)**, Charles University has been awarded a CEF TELECOM grant for its proposal. Subsequently, the Charles University formed the necessary consortium with partners and started working on implementation, which is defined in the Grant Agreement with CEF TELECOM. In the RRF investment, which complements the CEF TELECOM project, the call is currently being set up (some issues are being adjusted according to dispositions of the Office of the Public Prosecutor) and the MIT-DU methodologies are being taken into account in the upcoming call; the information system is being set up in parallel. It will be possible to announce the call at the end of March this year.

Preparation of the call, which will also take into account the MIT-DU methodology, is also underway under **Investment 6 [*Demonstration projects for the development of applications for cities and industrial areas (e.g. 5G)*]**. However, due to the complexity of its specification, no date has been set yet for the call.

As regards **Investment 7** (*Czech Rise-Up programmes*), the programme/call is currently being set up, including the MIT-DU, DNSH and digital tagging methodologies, and the information system and project TSI will be set up in parallel to define the focus of activities. The call is expected to be announced in Q3 this year. A significant risk can be identified as the significantly reduced time for the implementation of the activities themselves. With the unchanged timetable for achieving the objectives, there were also delays in the approval of the NPO by the EC, delays in the methodological manuals and accompanying EC implementing guidelines, which affect the scope of the prepared programme documentation and the potential absorption capacity of the investment.

In the context of **Investment 9** (*Pilot co-investment funds for the development of pre-seed investments, strategic technologies and university spin-offs within European Centres of Excellence*), the most progress has been made in the implementation of the *Pilot Venture Capital Funds* instrument under sub-component 1.4.2, which aims in particular at supporting the development of advanced technologies and start-ups. The MIT together with the European Investment Fund (EIF) and a working group of market representatives negotiated the framework of the project to be implemented through the EIF and this framework was approved on 3 February by the EIF Board of Directors, including representatives of the EC. On this basis, a contract will be negotiated and concluded between the Czech Republic and the EC, which is estimated to take place at the end Q1 2022 at the earliest. Subsequently, a Project Investment Board will be established for all pilot funds, which will approve the terms and conditions for each of the three funds addressing the market funding gap (pre-seed co-investment, strategic technology and technology transfer) and the selection of their managers by the EIF. A pre-seed co-investment fund will be launched first, due to prioritisation by the market. This is also the fund where most of the set-up parameters have yet to be negotiated, in close cooperation with the EIF and market representatives. Subsequently, a fund focusing on strategic technologies (in the pilot phase FinTech and DLT in relation to sandbox, see below) and a technology transfer support fund are expected to be launched. The MIT succeeded in its application for a TSI from the European Commission, which is currently being set up.

As regards **Investment 11** (*Regulatory sandboxes in line with EU priorities*), the essence of the investment is the establishment of regulatory sandboxes in FinTech and AI. For the former, the MoF was successful in obtaining a TSI, which will be implemented jointly with the OECD. The latter will be implemented depending on the finalisation of the draft AI Act regulation, which directly provides for the establishment of such a sandbox.

The primary task in relation to **Investment 12** (*Building a quantum communication infrastructure*) then stems from the Digital Europe Programme (DEP), whereas the investment from the RRF is secondary. The DEP has announced a call for grants to build a quantum infrastructure. The application for this DIGITAL grant is currently being prepared under the leadership of the National Cyber and Information Security Agency. Once the grant is obtained, the necessary consortium will be formed and work will then begin on announcing a call for RRF investment.

The main risks are delays due to insufficient staff capacity to implement some investments and the inability to obtain external support. Risk is also posed by unclear rules of the RRF, general methodologies especially on DNSH, taxonomy, conflict of interest, etc.

Certification

The aim of the reform is to increase the competitiveness of Czech companies on international markets and to improve quality management and processes by providing a network of accredited laboratories

with sufficient capacity for testing, including the provision of qualified personnel for certification and facilitating the implementation of administratively demanding product and management system standards, which are not widespread in the Czech Republic. The project will create conditions for the creation and development of skilled jobs, expand the opportunities for Czech companies to win contracts and better position themselves when bidding for demanding production and improve the availability of knowledge that has been largely ordered from outside the Czech Republic. Therefore, the final outcome will be the inflow of more products to market, removal of barriers to marketing and removal of barriers to supplying to creditworthy markets. In the case of the aerospace industry, for example, it will be specifically about increasing the number of companies certified according to NADCAP, ECSS, AS9100 and U.S.FDA rules. The project exists in its basic outline, and consultations are currently underway with relevant stakeholders (certification authorities, universities, experts) to precisely target specific steps in relation to the post-pandemic situation, which is somewhat different from the intended immediate assistance at the time of the peak of the pandemic. Internal setting of methodologies and programme operation with respect to human resources is ongoing. At the same time, a correction in the CID record, where milestone and target dates are confused, is being agreed with MIT-DU and the EC, and it has been promised. The calls will be announced once the methodologies are mutually agreed and the implementation plan is set; the end is expected in the first half of 2022.

Promoting entrepreneurship

The aim of the investment is to provide all aspiring entrepreneurs and start-ups with quality on-boarding support regardless of their location in the country, maximising their chances of successfully launching their business and expanding on the local market. Therefore, a sufficiently flexible and universal tool should be created to validate the business plan with coaching support from experts – a project of regional coordinators with nationwide coverage. Special emphasis will be placed on promoting equal opportunities for men and women.

Currently, the notification to the EC is under negotiation, on the basis of which the methodology of financial flows, especially the method of support, will be set. The calls will be announced after finalisation of the methodologies, identification of risks and joint discussion with all partners at regional level. The calls are expected to be published in May 2022.

Internationalisation

The goal is to be able to competently support companies that grow into scale-ups (fast-growing and internationally expanding companies) in specific areas they need to address (how to manage rapid growth, how to expand abroad, how to secure qualified professionals for the job), especially in the following areas:

- a) Ownership (property and ownership structures, preparation for investment);
- b) Management (building a managerial structure to manage expansion);
- c) Business [developing trade with foreign countries, finding new markets and outlets, building (international) partnerships];
- d) Other specialised services (financial, legal, regulatory services...).

The support for start-ups will consist of support for entry into new foreign markets, access to advanced technologies and capital infrastructure abroad (i.e. a tailor-made acceleration programme) and it will also lead to increased private investment in start-ups and ensure their further acceleration. The internationalisation is closely tied to CzechInvest’s long-term experience in supporting start-ups and thus extends the national Technology Incubation project by another logical step. Given the completion date of the existing projects, calls are planned for mid-2022. Risk identification is currently underway.

Component Digital transformation of enterprises

Component	Subcomponent
1.5 Digital transformation of enterprises (MIT)	Reform: Creation of a platform for the digitisation of the economy
	Investment: Creation of European and national digital innovation hubs (eDIH)
	Investment: European reference testing centres
	Investment: Direct support for the digital transformation of enterprises

Preparatory work is currently underway for the launch of **reform 1 (Creation of a platform for the digitisation of the economy) – composition, setting of rules and basis for establishment**. Calls are being set up for **investment 1 [Creation of European and national digital innovation hubs (eDIH)]** and **investment 3 (Direct support for the digital transformation of enterprises)**. At the same time, the calls are being set up according to the MIT-DU taxonomy and DNSH rules and the information system is being set up in parallel. The call in investment 1 should be announced in May or June 2022; for investment 3, the call is expected in April 2022. Unclear RRF rules, general methodologies especially on DNSH, taxonomy, conflict of interest, etc. were identified as risks.

Component Acceleration and digitisation of building permit proceedings

Component	Subcomponent
1.6 Acceleration and digitisation of building permit proceedings (MoRD)	Reform: Introduction of the building law recodification into practice
	Investment: Creation of an “Agenda Information System” (AIS)
	Investment: Development and use of public administration data in spatial planning
	Investment: Taking full advantage of the benefits of digitised building permit proceedings

The establishment of the Supreme Building Authority, which is foreseen in the new building law approved in July 2021, has been interrupted. The new Government’s priority is still the fundamental speeding up of the whole building permit proceedings, especially by simplifying the permitting processes and digitisation the agenda, but it does not agree with the approved institutional change (in particular, it calls for maintaining the mixed model of public administration and building authorities at the local level; only the Specialised and Appellate Building Authority should be created, which will be responsible for permitting strategic and linear buildings). Thusly implemented reform will enable a swift implementation of what the Czech Republic truly needs - i.e. the introduction of new simpler procedures and complete digitisation of building law agendas, which will contribute to the main goal

of the reform, i.e. the reduction of administrative burden on investment and improvement in public administration digitisation.

At the end of 2021, the MoRD started preparing an amendment to the new Building Act, and the amendment is expected to be discussed in the first half of 2022. With regard to the identified risks resulting from the above-mentioned situation, the preparatory work is underway especially on those investment parts of the component which are not linked to the resulting institutional form, i.e. especially on subcomponent 1.6.3 concerning the solution of data consolidation in the field of spatial planning (preparation of a public procurement for the creation of a unified database of spatial analytical documents) and subcomponent 1.6.4 consisting in the implementation of the necessary activities for the full use of digitisation in the field of building permit proceedings and spatial planning (currently, a discussion is underway on the possibility of transferring the ownership of this subcomponent to the MIT with regard to its competences in the implementation of the BIM method in the Czech Republic).

The main risk identified is the abolition of the mixed model of building administration by the new Building Act and the underestimation of the deadlines for the creation of the “Agenda Information System” (AIS). Other main risks identified include project delays caused by insufficient staff capacity and the complexity of public procurement processes, which can also cause time delays in implementation.

Reforms and public investment beyond the National Recovery Plan

e-Collection and e-Legislation

The implementation of the e-Collection and e-Legislation project, the aim of which is to modernise the legislative process and increase the accessibility and comprehensibility of the law, will continue. In the area of legal regulation, the implementation of the digital legislative process into the Senate Rules of Procedure remains to be resolved at the moment; the related draft amendment was submitted to the Parliament for the third time; the last draft (Document of the Chamber No 979) was not discussed by the end of the term of the Chamber of Deputies. The remaining functionalities in the area of the digital legislative process and the pilot operation of the system are expected to be completed in 2022. After the completion of the project (assumed in December 2022), also with regard to the requirement of the Chamber of Deputies to ensure the verification operation, the pilot and verification operation phase, user training and preparations for the launch of the e-Collection and e-Legislation system into live operation will follow up to the end of 2023. A government proposal for an amendment containing the postponement of live operation to 1 January 2024 is currently being prepared.

Digital Czech Republic

Digital Czech Republic (DCR)⁹ represents a set of strategies ensuring the long-term prosperity of the Czech Republic in the context of the ongoing digital revolution. The DCR contains three main pillars,

⁹ The DCR programme was approved by Resolution No 629 on 3 October 2018.

which form a single logical unit with a large number of internal links, but at the same time reflect the targeting of different beneficiaries as well as differences given by the current legislative definition:

The first pillar, *Czech Republic in Digital Europe (CRDE)* (managed by the Office of the Government), is primarily aimed at ensuring effective advocacy of the Czech Republic's position in negotiating European legislation and other EU initiatives in the field of digital economy and society. The CDE concept has three main objectives – to institutionally ensure the coordination and implementation of the EU Digital Agenda, to ensure effective communication on current topics and opportunities in the EU Digital Agenda and to promote the national position of the Czech Republic on priority topics in the EU Digital Agenda.

The second pillar of DCR is the *Information Concept of the Czech Republic (ICCR)* (managed by the MoI). It is a basic document that sets out the objectives of the Czech Republic in the field of public administration information systems (PAIS) and the general principles for the acquisition, creation, management and operation of PAIS in the Czech Republic until 2023. The development of digital knowledge and skills across public administration is part of the ICCR.

The third pillar is the *Digital Economy and Society (DES)* concept (managed by the MIT). This strategic document aims to ensure coordination of agendas in all areas of the digital economy and society, across public administration, economic and social partners, academia and the professional community.

Government Resolution No 794 of 13 September 2021 instructed the Minister of the Interior to submit **updated implementation plans to the Government**. The Digital Czech Republic Catalogue of Intents will be open for editing for all interested ministries and authorities until 30 April 2022. During this period, they will have the space to create new and update existing plans. After the proper modification of the objectives and their confirmation by its managing authorities, implementation plans for 2022 will be developed, including the expected financial allocation. According to the aforementioned resolution, the updated **implementation plans will be submitted to the Government by 30 June 2022**.

An integral part of the Digital Czech Republic programme is the provision of financial resources for the implementation of the priority objectives defined in the implementation plans. For 2022, intentions beyond the financing of individual chapters of the State budget in the amount of **CZK 1.263 billion** have been identified. In view of the budget cuts and the development of the State budget, it is now unclear whether funds will be allocated to the priority projects of the implementation plans.

The funding of the Digital Czech Republic programme is multi-source. In addition to the State budget, it is financed through the National Recovery Plan (see above) and the Integrated Regional Operational Programme 2021–2027 (IROP 2021–2027). For the digitisation parts (components 1.1, 1.2) the amount of almost **CZK 12 billion** is allocated in the National Recovery Plan. Within the 2021–2027 programming period, eGovernment will also be supported from the IROP 2021–2027, through specific objective 1.1. Using the benefits of digitisation for the sake of citizens, businesses, research organisations and public authorities. For the period 2021–2027, **CZK 8.016 billion** will be allocated from this source.

Electronic identification

Electronic identity has undergone a significant evolution, both in terms of the increase in the number of citizens who can log in to eGovernment services and the actual means of logging in to the online

environment. In addition to the means guaranteed by the State (eObčanka, NIA ID and eGovernment mobile key), there are also means issued by private entities (První certifikační autorita, a. s., CZ.NIC, z. s. p. o. and certain banks). The list of currently granted accreditations for the management of a qualified electronic identification system can be found on the [MoI website](#). A list of all means of electronic identification can be found on the [Citizen Identity website](#).

Banking identity in particular has significantly expanded the number of citizens who can log in to eGovernment services in 2021. Bank customers using Internet banking can also use their Internet banking login data to log in to online services of public administration (online services of State authorities and local self-government bodies) and other third parties. Banks, as well as other private entities, can offer an electronic identity service after successfully undergoing the accreditation process, and we expect more are likely to be added during 2022. As of 7 February 2022, over 4.8 million individuals have at least one means of electronic identification.

Payment gateways in public administration

In 2022, work on the technical modifications to the API on the payment gateway providers' side will be completed according to a proposal of the MoI. By fulfilling this basic qualification condition, the process of registration of providers in the dynamic purchasing system will be fully completed and it will be possible to announce the first public procurement for payment gateways meeting the requirements of the MoI set in the Payment gateways for public administration project. Therefore, it is expected that the first payment gateways for public authorities will be tendered and could also be put into live operation in 2022.

Full electronic submission and processing

Full electronic submission and processing is a concept that can significantly help the overall development of eGovernment in the Czech Republic (the FES&P concept). In 2022, all the documents capturing the FES&P concept (in legislative, motivational, procedural and technical terms) will be completed and they are intended to contribute to smoother enforcement and uniformity of the FES&P concept in the public administration of the Czech Republic. These documents will also include an implementation plan, which will present the ways in which it would be appropriate to disseminate the FES&P concept if it does not become a binding standard. Overall, everything will be summarised in the FES&P Architectural Pattern document, which will contain the architecture of the whole standard. At the same time, training sessions will be held until the end of this year to familiarise the target group of officials with the individual parts and components of the concept. The MoI is negotiating with the MoRD about the possibility to include some modules based on FES&P concept in the parameters of IROP calls for the next programming period.

Catalogue of services

Act No 12/2020, on the right to digital services and amending certain acts, helped to further develop the digitisation of services and set a deadline of 1 February 2025, by which virtually all public administration services should be handled digitally. Currently, the catalogue of services has been prepared for 92% of agencies, it contains over 6 000 services and a service description is available on gov.cz for almost 2 000 services.

In 2022, work will continue on the implementation of the Catalogue of Services. First of all, it is necessary to complete the registration of services. Work will also be carried out on creating instructional

texts on using the service. The existing obligation to create descriptions for services initiated by the client was extended to the second type of services – services performed ex officio – by Act No 261/2021, amending certain acts in connection with further computerisation of procedures of public authorities. Last but not least, work will be carried out to further digitise individual services. In the digitisation plan for 2022, digitisation is planned for 114 tasks from the agendas of MoI and for another 35 tasks from the agendas of other ministries.

Precise information on the progress of the digitisation of individual services is available from the relevant ministries or their components. In order to facilitate the progress monitoring for the digitisation of individual services, the digitisation plan approved by the Government is directly reflected in the individual digitisation plans of the DCR.

Data box information system

The year 2022 is a crucial year in terms of the information system of data boxes, as the changes resulting from the DEPO¹⁰, which is an Act that amends over 160 legal regulations in connection with further computerisation of procedures of public authorities, are implemented. The DEPO brings about fundamental changes especially in communication through postal data messages, which are messages outside public communication, i.e. between private legal entities and natural persons. The concept of substitute delivery (“presumed delivery”) has been amended, and it now also applies to postal data messages, and all data box holders are also automatically enabled to receive them. Only natural persons can, according to the Act, turn off their reception if necessary. Thanks to this and in connection with the new price list of the Czech Post, which set the price of one postal data message at CZK 5 incl. VAT, we expect a significant increase in communication via data boxes.

This year will see the implementation of further legal changes that will have an impact on the huge increase in the number of data box holders from 2023. The number of new mandatory data box holders from the business sector will increase by approximately 2.2 million entities. This change will have a major impact on all businesses in the Czech Republic. Data boxes will be set up for all legal persons and self-employed natural persons who are registered in the register of persons. There is also a new legal obligation to establish data boxes for all natural persons when using a qualified means of electronic identification for the first time.

The changes described will require strong technical and organisational security on the part of the administrator of this critical information system (MoI). The mass establishment of data boxes for several million entities cannot be imagined as a simple administrative/operational action. Without proper media and PR support, there are significant risks.

Accessibility of websites and mobile applications of public sector bodies

On the basis of Act No 99/2019, on accessibility of websites and mobile applications and amending Act No 365/2000, on information systems of public administration and amending certain other acts, as amended, a methodological guideline on accessibility of websites and mobile applications has been

¹⁰ Act No 261/2021, amending certain acts in connection with further computerisation of procedures of public authorities, follows up on Act No 12/2020, on the right to digital services and amending certain acts, as amended

prepared, which describes the general requirements for accessibility of websites and mobile applications, including the requirements of the harmonised accessibility standard.

In accordance with the inspection plan for 2022, the MoI will continue to carry out inspections of websites and mobile applications to check whether the statutory conditions are being complied with by the obliged entities.

The MoI also has a new obligation to report to the European Commission every three years on the results of monitoring the accessibility of websites and mobile apps.

Area of spatial information

Implementation of the Strategy for the Development of Spatial Information Infrastructure in the Czech Republic after 2020

Resolution of the Government of the Czech Republic of 12 November 2021 No 1014 approved the Strategy for the Development of Spatial Information Infrastructure in the Czech Republic after 2020 (GeoInfoStrategy2020+), which continuously follows up on the Strategy for the Development of Spatial Information Infrastructure in the Czech Republic until 2020 (GeoInfoStrategy); the GeoInfoStrategy2020+ is in line with the principles and objectives of eGovernment, creates conditions for the implementation of major projects on spatial data of national importance in an international context and emphasises the education of all participants in the national infrastructure for spatial information and support for research, development and innovation in the field.

Management and development of the Information System of the National Spatial Information Infrastructure

The MoI, which is the administrator of the Information System of the National Spatial Information Infrastructure based on the Resolution of the Government of the Czech Republic of 27 July 2020 No 799, which was developed within the framework of the implementation of GeoInfoStrategy as a tool for the management of collected, consolidated, structured and continuously updated information on spatial data sources and services related to spatial data, users' requirements for spatial data and related services (life events and public administration agendas), will ensure its development in the context of eGovernment development.

Management and development of the Glossary of Terms of the National Spatial Information Infrastructure and the Related Central System

The MoI, which is the administrator of the Glossary of Terms of the National Spatial Information Infrastructure and the Related Central System based on Government Resolution of 27 July 2020 No 799, which was developed within the framework of the implementation of GeoInfoStrategy and represent a universal platform for the creation, management and publication of a unified terminology for the field of spatial information, will ensure their further development and interconnection through the central system with glossaries of other entities so that the terminology related to the field of spatial information is gradually harmonised across the areas of public administration and in co-operation with public administration bodies and other entities.

National Spatial Information Infrastructure Act

By its resolution of 19 July 2021, the Government of the Czech Republic approved the substantive plan of the National Infrastructure Act. Based on the above resolution, the MoI will prepare and submit to the Government by 31 December 2022 a draft legal regulation in response to the substantive plan.

Project Building the Information System for Public Services and Public Administration Services INSPIRE

The main goal of the project is to build a central information system covering the territory of the Czech Republic to fulfil the obligations of the Czech Republic in the area of data of Annex III, Theme 6 Public services and public administration services of the INSPIRE directive (Directive 2007/2/EC of the European Parliament and of the Council). The source of primary (non-harmonised) data of Annex III, Theme 6 of the INSPIRE Directive will be the regional DTMs for data on technical infrastructure networks and thematic departmental data sources, or departmental PAIS (MoI, MoH, MoLSA, MEYS, MoE and MoD) for other data. The project implementation started on 1 October 2019 and it will be completed by 31 December 2022.

New open data obligations

On 1 February 2022, a new obligation entered into effect for all State authorities, regions and municipalities with extended powers to publish metadata information on their official boards in the form of open data.

In this context, the MoI issued a standard on how to publish the data in July 2021 and provided the necessary methodological support. The steps taken are in line with the Policy Statement of the new government, which envisages further strengthening the role of open data and the implementation of the EP and Council Directive on open data. A substantive plan for a new Act on public sector data management, an analysis of the impact of open data for 2021 and a communication strategy for open data target groups are all being prepared.

At the same time, a call is being prepared for the elaboration of a proposal for a technical solution, the implementation of which is planned for 2022 and 2023. It will be a modification of the Register of Rights and Obligations, which will in particular make its content available as open data, introduce a new version of code lists in accordance with the open formal standard and enable the loading of code lists from local catalogues.

3.2.2 Institutions, regulation and business support in response to COVID-19

Component Systemic support for public investment

Component	Subcomponent
4.1 Systemic support for public investment (MoRD)	Reform: Support for project preparation
	Reform: Analytical and methodological support
	Investment: Analytical software for support in decision making

Component 4.1 Systemic support for public investment was approved by the Government along with the entire NPO; however, it was subsequently included in the group of components that will be financed from national resources. Due to the tight state of the State budget (related to the difficult situation caused by COVID-19), the implementation of the component was partially suspended – i.e. formally, the component is being prepared for launch, however, due to the fact that no funds were allocated for its implementation in 2021, it was not possible to launch either the methodological-training work or the subsidy support for the preparation of investment projects.

At present, the MoRD has sent a request to the MIT for re-inclusion of component 4.1 among the components to be financed from European sources and it is waiting for the opinion.

In case of a positive opinion of the MIT or in case of allocation of the necessary funds from the State Budget for 2022, it is possible to immediately launch the coordination and competence pillar of the component (which consists in starting work on methodological documents for the area of green transition and digital transformation, training of territorial partners on identical topics and the creation of a micro-team that will address public investment issues to facilitate digital transformation and green transition for territorial partners) and in the second half of the year, announce the first call for the selection of projects to support their preparation.

The **analysis of risks** and potential barriers to implementation revealed the following risks:

- process-related:
 - Processes are not set up in terms of MIT's management of the programme – each owner is de facto accountable to the Commission independently:

Impact: each component owner manages the process and the programme according to its own procedures, leading to an inconsistent approach to the obligations arising from the RRF;
 - The MIT-DU has a range of powers as set out in the Government Resolution of 17 May 2021 but it has no responsibility for the proper implementation of the plan. This responsibility is again delegated to the component owner.
 - The control and audit activity is the responsibility of the component owner, which implies a conflict of interest when the owner is also the beneficiary.

- financial:
 - Non-payment of financial allocation for any of the periods due to a failure of other NPO components – each component is divided into several milestones and targets – the Czech Republic has committed to report the appropriate number of milestones and targets for the entire RRF every six months, which will then be reimbursed. In the event that a component “fails” and is unable to meet its targets or milestones – it is possible that NOT ONLY the financial allocation for one given target will not be paid, but the entire amount for six months – the payment for all the milestones and targets we have committed to on that date. This is an extreme scenario, but a possible one, because Europe realistically has this option. The question is what the impact on MoRD would be if one of the RRF payments were cancelled due to its fault.

Component New quasi-equity instruments to support the business and development of the CMGDB as a national development bank

Component	Subcomponent
4.2 New quasi-equity instruments to support the business and development of the CMGDB as a national development bank (MIT)	Reform: Development of the Czecho-Moravian Guarantee and Development Bank as a national development bank
	Investment: Development of a new line of quasi-equity instruments for business support – Mezanin product

In autumn 2021, the CMGDB was renamed the National Development Bank (NDB) and it updated its strategy to implement quasi-equity lending¹¹ in line with ESG principles. In Q1 2022, the milestones of preparing the implementation plan and signing the financing agreement for the Mezzanine financing facility between the MIT and the NDB will be completed. The announcement of the call of the financial instrument and the receipt of applications is planned for Q2 2022. With the Mezanin product, the National Development Bank will support green investments of small and medium-sized enterprises with soft subordinated loans. The main implementation risk of setting the project selection methodology in line with the “Do No Significant Harm” conditions is mitigated by consultation with the European Commission in the preparation stage.

Component Anti-corruption reforms

Component	Subcomponent
4.3 Anti-corruption reforms (MIT, MoJ, MoF)	Reform: 1.1 Whistleblower protection
	Reform: 1.2 Strengthening the legislative framework and transparency of courts, judges, prosecutors and bailiffs
	Reform 1.3 Collection and analysis of data on corruption

¹¹ Definition of quasi-equity instruments: Quasi-capital investments lie between an equity investment and a loan, they are riskier than senior debt and less risky than conventional equity investments, and are not secured against default. They can be structured as a loan, unsecured and subordinated (including mezzanine) debt, which in some cases can be converted into equity, or preference shares (<https://www.dotaceeu.cz/cs/evropske-fondy-v-cr/financni-nastroje/kapitalove-vstupy>).

	Reform 1.4 Establishing lobbying rules
	Reform 1.5 Control and audit

The component consists of a total of 5 reforms, with progress in implementation reported separately for each reform. All reforms are implemented without calls.

1.1 Whistleblower protection

The reform has one mandatory milestone “Adoption of the Whistleblower Protection Act and related amending legislation” with a deadline of Q4 2024.

In addition to the adoption of the Act, the reform also envisages the creation of an electronic communication channel for reporting violations – an external reporting system. It was launched as of 17 December 2021, as required by Directive (EU) 2019/1937 of the European Parliament and of the Council of 23 October 2019 on the protection of persons who report breaches of Union law, and it is available on the notifier.justice.cz website. In addition to the external notification system, the Ministry of Justice has also launched its internal reporting system, which can be found at the same website. The Ministry of Justice also developed a methodology for other mandatory entities in the area of introducing internal reporting systems. The methodology is available at: <https://oznamovatel.justice.cz/pravni-uprava-a-metodicke-doporuceni/>. In response to the above, the obliged entities were consulted and webinars were held on the obligations arising from the direct vertical effect of the Directive and the issued methodology. A media campaign is also planned within the framework of the “Intensifying the fight against corruption by raising awareness in the public sector with a focus on judges, law enforcement authorities and public administration” project supported by the EEA Grants 2014–2021.

On 12 May 2021, the draft Act was approved in the first reading in the Czech Parliament, but further consideration was terminated at the end of the Parliament’s term. Therefore, the draft Act will have to be resubmitted to the legislative process.

The deadline for submitting the draft Act to the Government will be set by the Government’s Legislative Plan for 2022.

The risk with this reform, as with all legislative processes, is the lack of political consensus on the specific form of the draft Act and the reserved attitude of both business and trade union representatives to the proposed legislation.

1.2 Strengthening the legislative framework and transparency of courts, judges, prosecutors and bailiffs

The reform has set two binding milestones “Adoption of an amendment to the Act on Courts and Judges” with a deadline of Q4 2021 and “Adoption of an amendment to the Act on Proceedings in Cases Concerning Judges, Public Prosecutors and Bailiffs of Courts” with a deadline of Q4 2024.

Therefore, the reform contains the adoption of the above-mentioned amendments, of which the first activity with the deadline of Q4 2021 was fulfilled on time and the amendment to Act No 6/2002 on Courts and Judges was adopted under No 218/2021. The Act has been in force since 9 June 2021 and it has entered into effect on 1 January 2022, except for the provisions of paragraphs 23, 27, 28, 33 and 35 of Part I of Article I, which enter into effect on 1 July 2022.

The second activity of the reform is aimed at the adoption of an amendment to the Act on Proceedings in Cases Concerning Judges, Public Prosecutors and Bailiffs of Courts, i.e. the adoption of a draft Act amending Act No 7/2002, on proceedings in cases concerning judges, public prosecutors and bailiffs of courts, as amended, and other related acts. This draft Act, which was discussed in the previous parliamentary term as Document of the Chamber No 683, was discussed in the first reading of the PSP CR on 10 December 2020 and referred to the Constitutional and Legal Committee, where its discussion was suspended and it was not finally discussed before the end of the Parliament's term.

As regards the risks, no risks are foreseen in the case of the amendment to the Act on Courts and Judges, as this amendment has already entered into effect in its substantial part. In the case of the amendment to the Act on Proceedings in Cases Concerning Judges, Public Prosecutors and Bailiffs of Courts, the risk can be seen in the possibility that the amendment in question will not be adopted and the reform will not be implemented.

1.3 Collection and analysis of data on corruption

The reform is being implemented by the Institute of Sociology of the Czech Academy of Sciences in co-operation with the Ministry of Justice as its application guarantor. The reform uses innovative tools based on the application of appropriate sociological methods to achieve its objectives.

The reform has set one binding milestone "Establishing a methodology for measuring corruption in the Czech Republic" with a deadline of Q4 2023.

The reform is proceeding according to the approved timetable. In-depth interviews with experts and the design of research tools have already taken place. An online survey of early insiders was launched in February 2022.

Relevant risks are not identified.

1.4 Establishing lobbying rules

The reform has set one binding milestone "Adoption of the Lobbying Act" with a deadline of Q1 2026.

The draft Act that is the subject of this reform has already been discussed in the Parliament of the Czech Republic, but its 3rd reading was not completed before the end of the Parliament's term. Therefore, the draft Act will have to be resubmitted to the legislative process. The deadline for submitting the draft Act to the Government will be set by the Government's Legislative Plan for 2022.

The risk with this reform is the lack of political consensus on the specific form of the draft Act.

1.5 Control and audit

The reform consists of eight binding milestones (M207 – M214), the achievement of which is conditional on the 1st summary request for payment. Given the focus of the individual milestones set by the European Commission, it was necessary to divide the reform among several entities of the implementing structure. These entities include the MIT-DU, which is responsible for milestones 207, 208, 213 and 214. Another entity is the MoF – Audit Authority, which is responsible for milestones 209, 210, 211 and participates in milestone 214. The last entity involved in the reform is the MoJ, which is responsible for Milestone 212 and also co-operates with other entities on the milestones under their responsibility.

For better clarity, information on implementation progress will be reported separately for each milestone.

- M207 (MIT) *A system for collecting, storing and disclosing data relating to all final beneficiaries, including all beneficial owners [as provided for in Article 3(6) of the anti-money laundering Directive (AMLD)]:*

The milestone has a deadline of Q2 2022. The content of the milestone is a description of the data collection procedure, which is anchored at the central level in the Guidance on Monitoring. It has already been approved by the NPO Steering Committee and it is in force since 1 February 2022. The aforementioned Guidance covers in its annexes the requirements for mapping of information systems to the level of component owners and contains (i) an overview of all data collection systems and (ii) a description of data collection at the level of each CO. Its annex also contains a description of the connection to the Beneficial Owners Information System (BOIS) from the MoJ.

Currently, the Guidance on Monitoring is approved and in force and summaries of all data collection systems and descriptions of data collection at the level of COs have been collected. Similarly, the description of the implementation of the connection to the BOIS has been completed, and intensive work is carried out with system suppliers to connect the information systems of the CO with the BOIS web service.

This descriptive part of Milestone 207 will also include the analytical specification of the Agenda Information System module. This specification describes the transmission and collection of data on the achievement of milestones and targets as well as the data required by Article 22 of Regulation (EU) 2021/241.

- M208 (MIT) *Establishing and implementing an action plan for the administrative system of the Coordinating Entity, in particular regarding sufficient and systematic avoidance of conflicts of interest in relation to the Recovery and Resilience Facility:*

The milestone has a deadline of Q4 2021. The Action Plan was produced on time and sent to the EC for comments before the end of 2021. During January 2022, the MIT-DU received comments from the EC and the MoF – Audit Authority (AO), which were subsequently settled in co-operation with the MoJ. The revised version of the Action Plan was presented to component owners on 4 February 2022. After discussing the Action Plan with the component owners, a second round of comments from the COs was conducted and a checklist was created by the MIT-DU. The COs' comments on the checklist are currently being processed. On 14 March 2022, the MIT-DU received comments from the EC, which have already been settled and their settlement will be sent again to the EC for comments. Approval of the Action Plan is expected at the next meeting of the NPO Steering Committee.

- M209 (MoF) *Measures against conflict of interest implemented by the Coordinating Entity:*

The milestone has a deadline of Q2 2022. The subject of the milestone is the audit of the implementation of the measures adopted by the Action Plan in M208. Since the deadline for implementing the measures under Milestone 208 is Q2 2022, the measures have not yet been implemented. The audit will be launched by the end of Q1 2022. The expected date of completion of the audit is 30 June 2022.

- M210 (MoF + MIT) *Storage system:*

The milestone has a deadline of Q2 2022. This milestone consists mainly of the definition and functional implementation of the storage system. The desired outcome of the milestone is an audit report of the Audit Authority on the functionality of the storage system. Part of the storage system is provided by the CO and part by the MIT-DU. The CO provides information systems at the level of implementation of milestones and targets and the MIT-DU provides a management system for storing information on the implementation of milestones and targets and information in accordance with Article 22 of Regulation (EU) 241/2021. The chosen system on the MIT-DU side will be the Agenda Information System (AIS). Within the AIS, a superstructure system is being developed for storing, archiving and accessing NPO information. To the extent required (i.e. storing data related to Article 22 and reporting milestones and targets), the MIT expects the system superstructure order to be completed by the set deadline, i.e. by the end of June 2022. The analytical assignment for the database record on the vendor side is currently being finalised. After that, the implementation will take about 4 weeks. At the same time, the implementation in the test environment is ongoing and the code lists are now being filled in, which will then be verified by the CO. Once the system is up and running, an Audit Authority level audit will be initiated to verify the functionality of the repository system. The analytical specification is currently being commented on by the component owners. We expect the conditions related to this milestone to be met by the first request for payment.

- M211 (MoF) *Audit strategy to ensure independent and effective audit of the implementation of the Recovery and Resilience Facility:*

The milestone has a deadline of Q4 2021. The outcome of the milestone is the Audit Strategy, which was prepared by the Audit Authority and sent to the European Commission on time through the MIT-DU. The Audit Authority received comments from the EC, which it incorporated into the Audit Strategy. A bilateral meeting between the Audit Authority and the EC took place on 21 January 2022, at which the Audit Authority presented the Audit Strategy to the European Commission in detail. The EC did not comment further. The milestone can be considered met.

- M212 (MoJ) *Review of the definition of beneficial ownership in the context of the Recovery and Resilience Facility control system:*

The milestone has a deadline of Q4 2021. The MoJ has prepared the required analysis on the definition of the concept of beneficial owner and the registration of beneficial owners under Czech legislation in comparison with the requirements of the AML Directive within the required timeframe.

At the same time, since November 2021, infringement proceedings are pending for the transposition of Directive (EU) 2015/849 as amended by Directive (EU) 2018/843; namely, the European Commission finds incorrect implementation of Article 3(6) and Article 30 regarding the transparency of beneficial ownership information and its inclusion in national central registers.

In view of the progress of the infringement proceedings, an amendment to Act No 37/2021, on the registration of beneficial owners, will be submitted to reflect the EC requirements. As the above amendment to the Act has become an additional condition for the possibility of submitting the first request for payment under the NPO, it is necessary that the amendment, i.e. the force and effect of the amendment, is ensured by Q3 2022 at the latest. At the same time, the analysis will be revised in the same timeframe to reflect the reservations under the aforementioned infringement and the content of the aforementioned amendment to the Act.

- M213 (MIT) *Guidelines for the prevention and management of conflicts of interest:*

- M214 (MIT + MoF) *Procedures for the prevention of conflicts of interest in accordance with Article 61 of the Financial Regulation:*

Both milestones (M213 and M214) have a deadline of Q2 2022. The outputs of Milestone 213 are the Guidance on Redflags and the Guide on Conflict of Interest under Article 61. The Guidance on Redflags has already been approved by the NPO Steering Committee and it is thus a valid part of the NPO methodological environment. The Conflicts of Interest Guide (the Guide) is being finalised and it was the subject of a consultation with the European Commission at the end of January 2022, which resulted in the need to amend the Guide. The revised version of the Guide has been re-presented to the COs and their comments are now being processed. Comments from the EC are expected in the coming days. It is expected that the Guide will be finalised soon and approved at the next NPO Steering Committee meeting, after which the Audit Authority will commence an audit, which should result in an auditor’s report without reservations on the effectiveness of the NPO internal control system. The audit is expected to start in early Q2 2022. The deadline for the creation and adoption of the Guide by 31 March 2022 will be met.

There are no calls in the reform.

The only risks are those related to the timely achievement of the milestones, in particular with regard to the practical implementation of the actions resulting from the milestones.

Component Increasing the efficiency of public administration

Component	Subcomponent
4.4 Increasing the efficiency of public administration (MoI)	Reform: Increasing efficiency, customer orientation and use of evidence-informed principles in public administration

Component Increasing the efficiency of public administration includes the reform **“Increasing efficiency, customer orientation and use of evidence-informed principles in public administration”**, which aims to increase the efficiency of public administration, its customer orientation, i.e. to improve the position of the citizen as a client of public administration, but also to increase the use of evidence-informed approach in decision-making processes and public policy-making. **The reform consists of two coherent parts, running in parallel, which will be supported by the RRF between 2023 and 2025. Preparations will continue in 2022 for the start of the component implementation in 2023.** The preparation will include the identification of risks and the adoption of measures to eliminate them.

The allocation from the overall plan for this component excluding VAT is: CZK 33.7 million.

The aim of the first part of the reform, i.e. increasing the use of evidence-informed principles, is to build a data repository that will contain relevant data, e.g. on processes, performance, staff capacity in public administration, at the level of central and territorial public administration. The preparatory phase started in 2021 and it will continue in 2022. The output will be a technical solution proposal so that the actual process of building the data repository can begin in 2023, with completion planned for 2025.

At the same time, a training programme for front-office civil servants focusing on customer orientation will be developed in 2022 as part of the second part of the reform, namely to increase the customer orientation of the public administration. In 2022, a pilot version of the training programme for front-office civil servants will be launched as part of the Public Governance Review project (Evaluation of

the performance of public administration in the Czech Republic and recommendations for future strategic development from the OECD perspective). This project is financially supported by Norway Grants and it is implemented in co-operation with the Organisation for Economic Co-operation and Development (OECD). This pilot version of the training programme will be followed up in 2023 by a training programme supported by the RRF. The aim is to train 1 000 front-office civil servants of territorial self-governing units and local State administration bodies between 2023 and 2025.

Given the nature of the component, which includes reform in the form of a defined project, no calls will be announced under this component.

Component Development of the cultural and creative sector

Component	Subcomponent
4.5 Development of the cultural and creative sector (MoC)	Reform: Renovation of the cultural and creative sector – status of the artist
	Reform: Transformation of the Czech Film Fund into the Acquisition Fund
	Reform: Co-operative financing of cultural institutions
	Investment: Development of the regional cultural and creative sector
	Investment: Digitisation of the cultural and creative sector
	Investment: Modernisation of cultural institutions
	Investment: Creative vouchers
	Investment: Support for research and development in social sciences and humanities

The component responds to the crisis caused by COVID-19 and it is based on the new strategic framework of the Ministry of Culture. The main objective is to reform the overall approach to the cultural and creative sector (CCS) in the Czech Republic. Reforms should ensure that the broader role of culture is developed by developing cultural and creative industries (CCIs) as part of the transition to a low-carbon economy.

The first two reforms will improve the resilience of the CCS and ensure its greater stability in a post-crisis period. Legislative anchoring of co-operative financing will increase the sustainability of cultural infrastructure. The legislative reform introducing the status of the artist is a direct response to the crisis. The aim here is to create a more stable working environment in the CCS and to help meet the Council’s specific recommendations for the Czech Republic by supporting employment through active labour market policies and the provision of skills, including digital skills (CSR 2020). The reforms are complemented by investments in human capital and regional infrastructure. The overall objective of these comprehensive programmes and reforms is to develop the capacity of the CCS through cross-sectoral links.

The development of CCIs focuses on two key recommendations of the Council for the Czech Republic, namely the transition to a low-carbon economy together with the removal of barriers to the development of a fully functional innovation ecosystem (CSR 2019). The key actions of the National Recovery Plan are based on the Cultural and Creative Industries Development Strategy 2021–2025+. The reform will transform the Czech Film Fund into a State Audiovisual Fund with a broader scope that will allow for more effective support for audiovisual media, including development of games (this reform is not funded by the Recovery and Resilience Facility). The introduction of the creative vouchers for SMEs

instrument will help innovative businesses access funding (CSR 2020). This is the first systematic programme of support for CCIs and one of the few comprehensive programmes providing micro-subsidies for SMEs.

Reforms and public investment beyond the National Recovery Plan

Public administration

The Strategic Framework for the Development of Public Administration of the Czech Republic for the period 2014–2020 (SFDPA) was the basic document defining the development of public administration (PA) and eGovernment in the period in question; the implementation of specific objectives and measures specified in the **Implementation Plans for the SFDPA will continue until 2023** in accordance with the implementation conditions; subsequently, the implementation of the SFDPA will be evaluated.

In June 2022, the **Annual Report on the State of Public Administration for 2021** will be submitted to the Government, which will describe the current state of public administration and focus on selected current topics. In 2022, the next run of the Representative in Training programme for elected representatives of towns and municipalities will take place. If the situation permits, the sixth year of the national conference **Modern Public Administration** and the seventh year of the motivational competition **Friendly Office** in the category of municipalities with extended powers will be held, the aim of which is to improve the client services of municipal authorities. In 2022, a special **training programme for municipal and city authorities to communicate with persons with disabilities, foreign nationals and the elderly** should also be implemented.

The plan is to develop performance-based financing in relation to other public administration agendas, performed within the delegated competence. Work is also **continuing on the analysis of the Czech legal system in order to identify (and subsequently repeal) obsolete legislation**; the use of the easy-to-read methodology will be developed at both levels of PA. Since 2018, the Czech Republic has been implementing the **Education of Public Administration Employees and Promotion of eGovernment Activities** project. This project aims to increase citizens' awareness about modern eGovernment tools, their skills with electronic public administration, understanding of the functioning of individual tools and assurances about their security. The project **Support for the Digitisation of Selected Areas of Public Administration** focuses on the digitisation of specific agendas (elections, register office or accreditation of educational programmes).

In May 2020, the Government approved a new conceptual material **Client-Oriented Public Administration 2030** (which follows up on the SFDPA), including an implementation **Action Plan for the years 2021–2023**. This material was prepared in 2019. Its vision is to achieve in 2030 such public administration that is maximally customer oriented and creates conditions for further improvement of the quality of life of the population and growth of prosperity in the Czech Republic. The vision is developed in five strategic objective, aimed at achieving a material shift in specific areas of public administration. In the first three years, these strategic objectives will be implemented on the basis of the elaborated **Action Plan for the years 2021–2023**.

During 2022, the preparation, finalisation or implementation of a number of measures of the Concept is expected, including the completion of the database of valid legal regulations of territorial self-governing units or a new systemic approach to innovation in public administration. Communication

with the public and citizen participation in decision-making processes will also be improved, and the professional competencies of elected representatives and officials of territorial self-governing units and civil servants performing civil service will continue to increase.

Implementation of the Civil Service Act

Within the framework of the implementation of the **Civil Service Act**, partial amendments to the Civil Service Act have been prepared, **which respond in their content to future legislation**. With the entry into effect of Act No 261/2021, amending certain acts in connection with further **computerisation of procedures of public authorities, Sections 180–183 of the Civil Service Act** are amended, the contents of which include, in particular, the extension of the data of the **Register of Civil Servants and Employees** in Civil Service Offices, the addition of data on employees in an employment relationship who occupy a civil service position and data on employees in an employment relationship. The partial amendment to Section 183 also governs the establishment of a **training portal** as an information system of the public administration, the purpose of which is to **provide training in electronic form** and to keep records of the training completed by civil servants and employees in employment relationships in civil service offices.

During the year, the **Guidance** of the Deputy Minister of the Interior for the Civil Service was also updated, namely **Guidance No 2/2019**, which sets out details on **changes in the civil service relationship**, and **Guidance No 1/2020**, which sets out details on the termination of a **civil service relationship**.

Last but not least, on 4 October 2021, based on Government Resolution No 723 of 23 August 2021, the **New Higher-Level Collective Agreement** was signed, which entered into force on **1 January 2022**.

Government Regulation No 1/2019, on the branches of the civil service, and Decree No 162/2015, on the details of the civil service examination, were also amended with effect from 1 April 2022. Government Regulation No 92/2015, on the rules for the organisation of the civil service, is currently being revised and, last but not least, a discussion is being held on the further direction of the civil service in terms of preparing an amendment to the Civil Service Act with an emphasis on greater openness of the civil service and rational management of ministries, improving the management of ministries, reducing the administrative complexity of civil service relations, improving the quality of the civil service and depoliticising the civil service.

Regulatory impact assessment

Regulatory Impact Assessment (RIA) is an effective and internationally recognised tool for improving the quality of legislation and reducing its unjustified burden on citizens and businesses, including small and medium-sized ones. The continuous methodological and co-ordination activities of the Government Office (LCG Section) contribute to strengthening the procedural and substantive aspects of RIA. Weaknesses remain, particularly in the lack of a systematic approach to the review of existing legislation (ex post RIA), insufficient capacity to carry out RIA in the ministries and public consultations on upcoming legislation. Therefore, in the next four years, the managing authority plans to introduce a unified system of ex post RIA processing (update of the General Principles for RIA and methodological activities), analysis of capacities for conducting quality RIA (questionnaire survey in co-operation with the MoE) and changes in the implementation of public consultations (revision of the database of consulting organisations – DataKO). The above-mentioned steps will primarily lead to an increase in the quality of legislation and the process of its drafting, and it will also enable the verification of its effectiveness and informed decision-making on its possible changes.

Public procurement

Public procurement legislation: From 1 January 2021, a new principle of sustainable procurement has been incorporated into the Public Procurement Act. Within this framework, contracting authorities are obliged to take into account – where the subject-matter and nature of the public contract allow – the environmental, pro-social and innovative aspects of the public contract. In this context, the ongoing educational and methodological campaign has been expanded to include the topic of sustainable public procurement.

Continuation of COVID programmes – TA Guarantee

In connection with the persistent adverse development of the COVID-19 pandemic and the extension and increase of the Temporary Framework, specific support for business entities in the field of tourism – specifically in the form of bank guarantees for travel agencies – is also being implemented in the first half of 2022. The support is managed by the MoRD, provided by the National Development Bank, and it is a continuation of the successful MIT COVID Guarantee TA programme, which ended on 31 December 2021.

3.2.3 Research, development and innovation

Component Excellent research and development in priority areas of public interest in health care

Component	Subcomponent
5.1 Excellent research and development in priority areas of public interest in health care (MEYS)	Investment: Systemic R&D&I support for priority areas of medical sciences and related social science disciplines

The EXCELES programme is a programme of support for research, development and innovation (R&D&I) in accordance with to Section 2(2)(g)(1) of Act No 130/2002, on support for research, experimental development and innovation from public funds and amending certain related acts (Act on Support for Research, Experimental Development and Innovation). This programme is the implementation tool for component 5.1 “Excellent research and development in priority areas of public interest in health care” of the National Recovery Plan. The MEYS is the owner of the component.

- 13 September 2021 – Approval of the EXCELES programme
- 8 December 2021 – Announcement of a public competition in R&D&I (VES1)
- Evaluation of VES1
- Announcement of VES1 results
- 30 June 2022 – Conclusion of support contracts

The implementing instrument of component 5.1 is the “Programme for Supporting Excellent Research in Priority Areas of Public Interest in Healthcare – EXCELES”, which was approved by the Government Resolution of the Czech Republic of 13 September 2021 No 796. The focus of the programme is based on analytically identified national needs, where stakeholders were further consulted during the preparation. On 8 December 2021, the 1st Exceles R&D&I call for proposals was announced with the expected outcome of supporting 4–5 consortium projects. The signing of support contracts is planned for Q2 2022.

Information on the announcement of calls

- Call announced on 8 December 2021
- Closing date for submission of projects 7 February 2022

Identification of risks

1. Lack of financial resources from the State budget to cover VAT of beneficiaries who do not apply deductions (public higher education institutions, public research institutions).

Proposed solution: Enter into negotiations with the MIT-DU and the MoF and secure funds for the chapter of the MEYS.

2. Lack of an information system.

Proposed solution: Established a separate repository for temporary storage of component 5.1 data;

capacity will be needed to for all data and documents recorded so far after the launch of the IS.

Component Support for research and development in enterprises and deployment of innovations into enterprise practice

Component	Subcomponent
Component Support for research and development in enterprises and deployment of innovations into enterprise practice (MIT)	Reforms: Addressing new opportunities and challenges by improving the performance of Czech enterprises in research, development and innovation (R&D&I)
	Investment: Supporting the deployment of innovation into enterprise practice
	Investment: Promotion of research and development co-operation (in line with the National RIS3 Strategy)
	Investment: Support for research and development in the field of environment
	Investment: Support for research and development in synergy effects with the framework programme for research and development

Investment under component 5.2 *Support for research and development in enterprises and deployment of innovations into enterprise practice* of the NPO aims to help rebuild the economy and improve its resilience by increasing the competitiveness and flexibility of enterprises, especially small and medium-sized enterprises (SMEs), by increasing the innovation performance of endogenous business entities

and contributing to the improvement of co-operation within the innovation ecosystem of the Czech Republic. In the course of 2022, public competitions or calls will be gradually announced in the individual support programmes listed below within all investments of component 5.2; support for selected projects will begin subsequently.

As part of investment 1 “Support for the deployment of innovations into enterprise practice”, which aims to intensify the introduction of product, process and organisational innovations in SMEs with an emphasis on digitisation, the first of two public competitions with an allocation of CZK 500 million will be announced in 2022.

The objective of investment 2 “Support for co-operation in research and development (in accordance with the National RIS3 Strategy)” is to support applied research projects by providing long-term support for co-operation between research organisations and enterprises, especially SMEs. The objective of this investment will be implemented through the TA CR programme “National Competence Centres” and a public competition announced in 2022 with an allocation of CZK 1500 million.

Investment 3 “Support for research and development in the field of environment” will be implemented through the TA CR programme “Environment for Life”. The aim of the investment is to support projects of applied research, development and innovation submitted by research organisations and enterprises aimed at addressing the challenges defined in the State Environmental Policy of the Czech Republic 2030 with a view to 2050. The public competition announced in 2022 will have an NPO allocation of CZK 200 million.

The investment “support for research and development in the field of transport” is implemented through the MoT’s departmental programme “Transport 2020+”, which is administered by TA CR. The investment consists in partial support for applied research projects submitted by research organisations and enterprises, including collaborative projects, aimed at addressing challenges defined by the Ministry of Transport in accordance with the Government’s transport and communications strategies and the ministry’s research support concept. The area of transport research should be supported under NPO Component 5.2.

Investment 4 “Support for research and development in synergy effects with the framework programme for research and development” aims to fund Seal of Excellence projects, which support SMEs with the highest potential for rapid growth, and ERA NET Cofund projects (European Partnerships), which address the most pressing research and development challenges in an international context. In 2022, the plan is to participate in several ERA NET Cofunds, which will allow Czech entities to participate in international projects in the individual themes of the partnership. The allocation for investment 4 is CZK 500 million.

Reforms and public investment beyond the National Recovery Plan

The provisional budget for 2022 ended with the approval of Act No 57/2022, on the State Budget of the Czech Republic for 2022 (10 March 2022). For 2022, expenditure of CZK 39.07 billion is earmarked for research, development and innovation. The draft budget for R&D&I for 2023 is currently being prepared with a medium-term outlook for 2024 and 2025 and a long-term outlook to 2029.

The implementation of the relevant parts of the National Policy for Research, Development and Innovation 2021+ continues according to the deadlines specified for each of the 28 measures. The implementation of the measures depends on the possibilities of the State budget.

The implementation of the system of evaluation of research organisations at the national level according to the Methodology 2017+ is proceeding in accordance with the planned schedule; the first four rounds of evaluation have been successfully implemented and the evaluation in the 5th year has started. According to the law, the support is distributed on the basis of evaluation results and ensures systematic building of the scientific base in the first stages of the knowledge chain leading to experimental development and innovation.

Within the implementation of the **Innovation Strategy of the Czech Republic 2019–2030 (IS 2019+)**, the coordination of analytical activities in the field of R&D&I was addressed at several meetings of the Council for Research, Development and Innovation. The output is the approval of the STRATIN system project covering areas under the responsibility of the MEYS or the link to the National Research and Innovation Strategy for Smart Specialisation of the Czech Republic for 2021–2027 under the responsibility of the MIT. Furthermore, a comprehensive assignment of analytical activities to be carried out for the needs of the Research, Development and Innovation Council was approved. Therefore, the analytical base of research, development and innovation is significantly improved, which will also be useful for further effective direction of the system of financial support for research, development and innovation in the Czech Republic.

There is also the **TREND** industrial research and development support programme, which is being implemented beyond the scope of the NPO. Its main objective is to increase the international competitiveness of enterprises by expanding their markets abroad, penetrating new markets or moving higher in global value chains. It emphasises the implementation of the priorities of the National Research and Innovation Strategy for Smart Specialisation of the Czech Republic, the development of digitisation and the implementation of Industry 4.0 principles, including the use of 5G technologies.

The implementation of the **Technological Incubation** systemic project will continue to support the development of the start-up ecosystem, to increase co-operation between the public, research and business spheres and to create new innovative products with high added value. The project is implemented by the CzechInvest: Investment and Business Development Agency and its aim is to gradually support the development of about 250 innovative companies in thematically focused incubation centres.

In co-operation with the CzechTourism agency and the academia, the MoRD plans to commission a research project for the tourism sector in 2022, which will be implemented through the Technology Agency of the Czech Republic. The output of the project **Monitoring of Tourism Potential in the Czech Republic Using Open Data** will be an analysis of tourism potential, its evaluation and use, together with a methodology and technical solution for automatic collection, processing and evaluation of data, including its presentation. The aim is to create an effective tool to support the targeting of support and strategic planning of the MoRD, local governments and tourism entities in destinations in the field of further development of sustainable tourism.

Large research infrastructures

During 2022, the Government of the Czech Republic will set a new multi-year budget framework for the financing of large research infrastructures from public funds of the Czech Republic and it will approve large research infrastructure projects for the provision of special-purpose support from the Ministry of Education, Youth and Sports for the forthcoming seven-year period 2023–2029. The main basis for the adoption of an informed political decision of the Government of the Czech Republic on the support of large research infrastructures from the means of special-purpose support of the Ministry

of Education, Youth and Sports will be the outputs of a comprehensive international peer-review evaluation of large research infrastructures, which was carried out in 2021 with the involvement of unquestionable foreign experts on the issue of research infrastructures. The key fact for the setting of the financial framework will be not only the consideration of the results of the evaluation, but also the reflection of the cumulative inflation over the past years, which was not reflected in any way in the financial support for large research infrastructures in the past years and in fact caused a gradual relative reduction of support for large research infrastructures from public funds of the Czech Republic. This state of affairs is no longer sustainable in the coming period, not only in view of the financial demands of large research infrastructures as unique facilities for conducting cutting-edge research, development

and innovation. Large research infrastructures are also a key pillar of the Czech Republic's research and innovation ecosystem and are a prerequisite for improving the Czech Republic's international competitiveness in knowledge and economic terms. Therefore, the Government of the Czech Republic will pay due attention to the support of large research infrastructures from the public funds of the Czech Republic and take into account their financial needs after years of budgetary stagnation.

Operational Programme Research, Development and Education

In 2022, the Operational Programme Research, Development and Education (OP RDE) is still under implementation, which significantly contributes to addressing the current weaknesses, especially in the development of public research and development, and thus complements national funding in this area. In 2022, it is expected that a new operational programme Jan Amos Komenský (OP JAK) will be approved and launched, which builds on OP RDE and continues to support areas where long-term problems persist, while reflecting new challenges in the field of research, development and innovation. The aim of the OP JAK in the field of research, development and innovation is to increase the long-term competitiveness of Czech research, development and innovation.

3.3 Fairness

In 2020/2021, the MoLSA prepared a proposal for pension reform, which was intended to enhance fairness, clarity and reflect the sustainability of the pension system. The reform included the division of the pension system into two separate pillars, the strengthening of the solidarity (equal) part of pensions, the removal of the reduction limit for the pension component linked to past earnings and the replacement of excluded periods by periods of insurance with administratively determined assessment bases. The proposal was not discussed by the Government before the October 2021 election.

On the basis of the Policy Statement of the newly established Government of the Czech Republic, the MoLSA is preparing a new version of the reform proposal. The bases will be derived from the above proposal, but there will be parametric and substantive adjustments that should be more in the area of long-term sustainability, including taking into account the number of children raised. At the same time, unlike the previous government's proposal, the reform will also include changes to the third pillar, consisting of adjustments to the voluntary fund component of the pension.

The individual reform steps, represented by draft acts, will be prepared and presented gradually during the second half of 2022 and the whole of 2023.

From CSR 2019: Promote the employment of women with young children, inter alia by improving access to affordable childcare, and the employment of disadvantaged groups. Improve the quality and

inclusiveness of education and training systems, inter alia by promoting technical and digital skills and by promoting the teaching profession.

The potential of Czech women on the labour market is not sufficiently exploited. Although the employment rate of women in the Czech Republic is significantly above the EU average, the employment rate of women with young children is at the European minimum (47.2% vs. 63.1% in 2018¹²). The Czech Republic has long had the highest rate of the impact of parenthood on women's employment, with the difference between the employment rate of women without children and women with children under six years of age in 2020 being 352 pp. This is due to the lack of part-time and flexible work and the lack of available childcare services. The gender wage gap in the Czech Republic is one of the highest in the EU, but available statistical data show a slight improvement in this area. According to the latest Eurostat data, the gender pay gap (GPG) in the Czech Republic was 20.1% in 2018, the second highest in the EU. In 2019, it fell to 19.2%, the fifth highest in the EU (the EU average GPG in 2018 was 14.4%, falling to 13.7% in 2019).¹³ The adjusted GPG¹⁴ is 10%;¹⁵ in other EU countries it is around 5%.

Support for the employment of women is addressed within the framework of employment policy through the project "Support for flexible forms of employment (FLEXI)", which has been implemented since 1 January 2021 and is posed to end on 30 June 2023. The project follows up on the adoption of Act No 285/2020, amending Act No 262/2006, the Labour Code, as amended, and some other related acts, which implemented the institute of a shared workplace into the Labour Code under Section 317a, and responds to the experience with the support of the "generational tandem". Therefore, the core of the FLEXI project is the support for creation of shared jobs and generational tandems; the project also includes other support activities – an allowance for initial training and provision of childcare for children or other dependent family members, travel expenses or entrance fees for medical check-ups. The project will be implemented throughout 2022.

The Government continued its implementation of the Family Policy Concept, which contains a total of 39 measures to provide comprehensive support to families with children. These are, for example, measures aimed at increasing the participation of parents with children on the labour market, for example by increasing the availability of (pre-school) childcare services, promoting flexible forms of employment, adjusting the parental allowance to increase the use of pre-school childcare services or measures to reduce the gender pay gap.

As of January 2021, the amendment to the Labour Code regulates the concept of job sharing as a new flexible form of work, where at least two employees with shorter working hours can take turns in the same job.

¹² Eurostat has stopped monitoring this variable. The latest known data point is for 2018.

¹³ See Eurostat: https://ec.europa.eu/eurostat/databrowser/view/sdg_05_20/default/table?lang=en

¹⁴ The adjusted gender pay gap represents the extent of the pay gap that cannot be explained by factors such as industry, company size, length of experience, age or education. On the other hand, other factors are also reflected in the unadjusted GPG, such as horizontal labour market segregation (e.g. women's representation in lower-paid occupations), vertical labour market segregation (i.e. low representation of women in managerial positions), full-time/part-time employment, etc. The high level of vertical segregation in the Czech Republic compared to the EU average is shown, for example, by the *European Institute for Gender Equality (EIGE) Gender Equality Index 2021*, see

<https://eige.europa.eu/gender-equality-index/2021/domain/power/CZ>

¹⁵ For more details, see the MoLSA publication *What we know about the gender pay gap*:

https://rovnaodmena.cz/wp-content/uploads/2021/07/Shrnuti_o_GPG_168x240_06_23032021_jednostrany.pdf

In line with the *Policy Statement*, the measures already implemented will be reinforced by targeted support for shorter working hours, including favourable taxation and a discount on insurance contributions. Overall, the flexibility of the Labour Code will increase in the interests of both employers and employees.

As part of the ongoing 22% for Equality project aimed at reducing the gender pay gap, the Equal Pay Action Plan 2022–2026 has been developed and it is currently in the approval process. The project involves key actors in this area, such as the State Labour Inspection Office (SLIO), the Office of the Public Defender of Rights, the LO CR, social partners and specific employers from the private and public sectors. As part of the project, the development and testing of the Logib analytical tool continued, both in the public and commercial spheres. The project continued to mentor and provide advice to the public, companies and institutions.

In order to eliminate gender inequalities on the labour market, the Government of the Czech Republic adopted on 8 March 2021 the **Gender Equality Strategy for 2021–2030**. In addition to promoting gender equality on the labour market, the strategy focuses on tackling gender stereotypes, increasing women’s representation in decision-making positions, promoting the availability of childcare services and preventing domestic and sexual violence.

Affordable, accessible and high-quality childcare services are one of the most important tools in staying connected with employment during maternity and parental leave and the entry/return of parents to the labour market. At the same time, according to government objectives and EC recommendations, they are crucial for the Czech Republic as they are an important measure in the area of work-life balance and thus have an impact on the rate of employment of parents with children, and also on the birth rate.

The Czech Republic, following the Family Policy Concept and also the NPO, focuses on increasing the capacity of quality and accessible pre-school childcare services (especially for children under three years of age). In October 2021, an amendment to the Children’s Groups Act was passed to ensure a high-quality, accessible, modern service for young children from six months of age to compulsory schooling age through stable State funding. A new decree implementing certain provisions of the Children’s Groups Act was also approved to establish requirements for the premises and operation of children’s groups of up to 12 children, as well as requirements for quality of care and nutritional standards for children under three years of age. Thanks to these changes, the Czech Republic is now dynamically developing a complex and connected system of quality pre-school services.

Children’s Group Act sets the basic parameters of the childcare services also for children from six months of age (until the start of compulsory schooling) on a non-commercial basis. The parallel amendment to the Income Tax Act introduced the tax deductibility of the employer’s costs in connection with the provision of childcare services to its employees and the income tax credit for parents who use childcare services in connection with entry (return to) the labour market.

As of 3 February 2022, the MoLSA registered 1 281 children’s groups with approximately 16 760 places for children. By the end of 2021, the European Regional Development Fund (ERDF) had financed 387 childcare and pre-school education projects with a target capacity of 19 684 persons (including 3 016 places for children under three) through the IROP. The new supported capacity is 9 810 places (of which 2 150 are for children under three in children’s groups and kindergartens). Year-on-year, the number of nursery schools increased from 5 314 to 5 344 and the number of classes increased by 274. The number of children in nursery schools increased by 2 886 year-on-year. The

IROP project approved CZK 3 761 980 476 for the development of kindergartens for the period 2021–2027.

From CSR 2020: Ensure the resilience of the health care system, improve the availability of health professionals, primary care and care integration, and implement e-health services.

Promote employment through active labour market policies, provision of skills (including digital skills) and access to digital learning.

In 2022, the implementation of active labour market policies (ALMPs) will continue, especially through the creation of jobs for disadvantaged job seekers [socially useful jobs (SUJ) and community service (CS)], and significant emphasis will be placed on providing retraining for job seekers and persons interested in a job. The importance of retraining will be reinforced in the context of the refugee wave resulting from the Russian-Ukrainian war and the opportunity to effectively integrate migrants of economically active age into the labour market.

Since 1 January 2019, the project “Support for employment of long-term job seekers” has been implemented, the implementation of which will be completed on 31 December 2023. The project supports the labour integration of the most disadvantaged persons on the labour market – the long-term unemployed. The share of this group of job seekers as of 31 December 2021 was 33.4%, increasing by 9.8 pp in 2021. The Employment Support for Long-Term Job Seekers project combines instruments aimed at activating the long-term unemployed through counselling activities and short-term employment with instruments supporting job placement – retraining and the creation of subsidised jobs. In addition, travel costs for project activities or childcare are supported as well. In 2022, the activities of this project will be complemented by the instrument of a contribution to the incorporation and further support for the integration of project participants through “guides” – persons who will provide integration support directly at workplaces to participants assigned to subsidised jobs in the form of CS.

In the course of 2022, a **draft Act on Social Entrepreneurship will be prepared** in connection with the Government’s Policy Statement and the need to innovate tools for integrating disadvantaged persons into the labour market. It will build on the preparation of this legislative framework in previous years with the aim of creating a legal framework for supporting social entrepreneurship in the Czech Republic as one of the most important pillars of the social economy ecosystem. **A new concept of support for persons with specific needs on the labour market** will also be prepared during 2022, which will significantly complement the existing CS instrument. The implementation of this new concept is foreseen in the new programming period.

Other ALMPs aimed at supporting the integration of persons with specific needs are mentioned above in the section on CSR 2019 (support for women on the labour market) and in the section on the NPO (chapter 3.3.1).

3.3.1 Education and the labour market

Component Innovation in education in the context of digitisation¹⁶

Component	Subcomponent
3.1 Innovation in education in the context of digitisation (MEYS)	Reform: 3.1.1 Curriculum reform and improvement of IT education
	Investment: 3.1.2 Implementation of the revised curriculum and the DigCompEdu framework
	Investment: 3.1.3 Equipping schools with digital technologies

3.1.1 Curriculum reform and improvement of IT education

In 2021, the new framework education programmes for primary education (FEP PE), grammar schools (FEP GS), grammar schools with sports training (FEP GSS) and bilingual grammar schools (FEP BGS) were approved and published. Schools are gradually implementing the new FEPs in their school education programmes. Primary schools are obliged to do so by 1 October 2023 (1st grade) or 1 October 2024 (2nd grade). Grammar schools, grammar schools with sports training and bilingual grammar schools have the obligation to do so by 1 September 2025.

3.1.2 Implementation of the revised curriculum and the DigCompEdu framework

A call for the implementation of the component (platform creation, support and training for schools and mentoring in IT management and procurement) was announced in December 2021.

3.1.3 Equipping schools with digital technologies

Determination of additional funding for public schools for digital technology equipment – digital teaching aids was approved by the MEYS Management Meeting and published in the MEYS Bulletin on 11 February 2022.

At the same time, the <https://edu.cz/digitalizujeme> website was published to provide schools with methodological support for the purchase of equipment and the digitisation process in general.

In Q1 2022, a call for applications for a subsidy for digital technology equipment for non-public schools is being prepared.

The support is divided into 2 areas:

1. Equipping schools with advanced digital technologies – digital teaching aids for the development of digital thinking and digital competences. The MEYS will use the NPO to provide funding to schools in 2022 (for nursery and schools and grammar schools) and in 2023 (for secondary schools and conservatories and the remaining primary and grammar schools not supported in 2022). The criterion for drawing funds in 2022 is that primary and grammar schools declare their interest to start teaching according to the revised school education

¹⁶3.1 Innovation in education in the context of digitisation

programme from 1 September 2022 or have already done so from 1 September 2021. This criterion does not apply to nursery schools.

2. Preventing the digital divide – making mobile digital technologies accessible to disadvantaged pupils and preventing their digital exclusion. The MEYS, using the NPO, will provide schools with funding for mobile digital technology to create an “digital inventories” from which the school will lend basic digital equipment (e.g. laptops, Chromebooks, tablets or software) to disadvantaged pupils. The measure is intended for primary schools, secondary schools and conservatories. The intention is to reduce inequalities among pupils in access to quality education caused by lack of technical equipment.

Announcement information

- 11 February 2022 – Announcement of an ad hoc normative for public schools to equip schools with advanced digital equipment as well as to prevent the digital divide – the creation of a digital inventory.
- Q1 2022 – Announcement of a call for non-public schools to equip schools with advanced digital equipment as well as to prevent the digital divide – the creation of a digital inventory.

Identification of risks:

- Schools will not understand what IT equipment to buy.
- Inadequate IT management at school level (especially for small schools) or inadequate internal infrastructure at school level.
- Digital learning aids to prevent the digital divide will be loaned to the wrong target group and will fail to address inequalities/digital divide.
- Insufficient connectivity (internet coverage or capacity in the school) for borrowed equipment to prevent the digital divide.

Measures to eliminate the risks described above:

- Methodological support for schools has been prepared on the edu.cz portal and a network of consultants, called IT gurus, has been created together with the National Pedagogical Institute of the Czech Republic (NPI), who will advise schools on site on the appropriate purchase of IT equipment and internal network setup.
- Methodological support in the field of IT administration is prepared.
- Co-operation and consultation with school founders – stressing the need to address the IT management of schools, and co-operation with the MoRD – correct setting of the IROP so that even smaller and less administratively capable schools can apply for subsidies.
- A system for lending and reporting on the use of the digital inventory has been prepared.

- Link to the NPO, component 1.3.3, which addresses the connection of socio-economic actors (schools) to high-speed Internet, as well as addressing the connection of schools to high-speed Internet in co-operation with the Broadband Competence Office (BCO) established by the MIT.

Component Adapting the capacity and focus of school programmes

Component	Subcomponent
3.2 Adapting the capacity and focus of school programmes (MEYS)	Reform: 3.2.1 Transform higher education institutions to adapt to new forms of learning and in response to the changing needs of the labour market in the post-COVID recovery
	Reform: 3.2.2 Support for schools
	Investment: 3.2.3 Investment in the development of selected key academic departments
	Investment: 3.2.4 Tutoring of school pupils

3.2.1 Transform higher education institutions to adapt to new forms of learning and in response to the changing needs of the labour market

- September 2021 to November 2021 –Preparation of a call for public universities
- December 2021 – Announcement of the Call for Proposals for projects within the NPO for the field of higher education for the years 2022–2024 (14 December 2021)
- December 2021 to March 2022 – Receipt of project proposals
- April 2022 to June 2022 – Evaluation of project proposals
- June 2022 to July 2022 – Expected provision of contribution to public higher education institutions for the project implementation

3.2.2. Support for schools

- January 2022 to June 2022 – Support for the 1st part of schools – this is a continuation of the activities from autumn 2021, where the NPI implemented activities in the area of support of already selected 57 disadvantaged schools in the Karlovy Vary and Ústí nad Labem regions – this support will be extended and continued within the NPO.
- January 2022 to March 2022 – The MEYS will select other schools to approach with an offer of support in co-operation with the Czech School Inspectorate (CSI) and the NPI (through indexation – the degree of social disadvantage of individual schools).
- April 2022 to May 2022 – Reaching out to selected schools, explaining planned activities and needs analysis (implemented by the NPI)
- September 2022 to December 2022 – Full implementation of the support for schools. A total of 400 schools will be supported.

3.2.3. Tutoring of school pupils

- September 2021 to December 2021 – Meeting of the working group (representatives of the MEYS, CSI, NPI, representatives of non-profit organisations, pedagogical faculties and school associations) and setting of the programme parameters (including a model of resource allocation, criteria for selecting pupils and conditions for the implementation of tutoring)

- November 2021 to July 2022 – Extraordinary investigation of the MEYS to identify pupils/schools in need of tutoring
- January 2022, August 2022, January 2023 – Transfer of funds (ad-hoc normative for a given school year) for schools established by a municipality or region
- February 2022, October 2022 – Evaluation questionnaire for schools that have received funding for tutoring (also serves as a report of activities implemented)
- March 2022 – The possibility of additional funding for tutoring to selected schools if the need is identified in the executed survey (from February 2022)

3.2.4. Investment in the development of key academic departments

- UK Campus construction in Hradec Králové – MEPHARED 2 (Faculty building)

The documentation for building permit (BPD) and building permit application has been completed. The BPD was discussed in the Expert Committee for the Assessment of Building Documentation of the MEYS. In the national programme 133 240, a simultaneous application for subsidy for the construction of the Central Building will be submitted. This will be followed by building permit proceedings, completion of the detail design, preparation of the construction specification. After the announcement of the call – specification of the construction after the approval of procurement documents by the MEYS, commencement of construction.

- UK Construction of the Prague 2, Albertov campus – construction of the BIOCENTRE

A building permit was issued to secure the construction pit, archaeological and pyrotechnical survey. Documentation for building permit and building permit application completed. The BPD was discussed in the Expert Committee for the Assessment of Building Documentation of the MEYS. Following this will be the building permit proceedings for the construction of the building, as well as an inspection of the detail design. After announcement of the call – the award of the contract for securing the construction pit, archaeological and pyrotechnical survey after approval of the procurement documents by the MEYS, the start of construction.

- MUNI BioPharmaHub

The zoning permit documentation was completed (ZPD, application for a zoning permit), followed by the processing of project documentation for the building permit, after completion of the BPD, assessment of project documentation (PD) in the Expert Committee for the Assessment of Building Documentation of the MEYS. After announcement of the call – specification of the construction after approval of the procurement documents by the MEYS, commencement of construction.

3.2.1 Transform higher education institutions to adapt to new forms of learning and in response to the changing needs of the labour market

- December 2021 – Announcement of the Call for Proposals for projects within the NPO for the field of higher education for the years 2022–2024 (14 December 2021)

3.2.2 Support for schools

- February 2022 – Announcement of a call for grants for the NPI CR to provide methodological guidance to schools in the implementation of the programme for 2022–25

- May 2022 – Announcement of a call for grants for the implementation of the programme in selected schools for 2022–2025
- **3.2.3. Tutoring of school pupils**
- February 2022, July 2022 – Call for private and religious schools (based on the NPO requests regarding control of applicants to be specified due to lower allocated amounts)
- March 2022 – Call for non-governmental non-profit organisations for the calendar year 2022

3.2.1 Transform higher education institutions to adapt to new forms of learning and in response to the changing needs of the labour market

Identification of risks:

On the part of the component owner (MEYS):

- Delays in meeting deadlines set by the EC
- Changes following the call due to the unavailability of clear methodological guidelines at national level, the changing environment and the inability to ensure compliance retrospectively
- Insufficient staff capacity and difficulty in planning due to lack of knowledge of the final requirements for monitoring the achievement of milestones and targets, the extent of financial and substantive controls, etc.
- Timely and adequate assurance of all processes required by the MIT-DU / the EC, unclear role of component owners in these processes (agenda information system, audits, etc.) and risk of different solutions within the MEYS.
- High administrative burden

On the side of the beneficiaries (public higher education institutions):

- Insufficient capacity on part of public higher education institutions to meet the objectives of the component
- High administrative burden (and related lower willingness to draw funds from the NPO)
- Changing environment and inability to ensure compliance retrospectively

Measures to eliminate the risks described above:

On the part of the component owner (O30):

- Meeting deadlines: call announcement planned well in advance, continuous monitoring of work progress according to an internal timetable
- Efforts to eliminate changes in the call text after its announcement – preliminary consultation with the EC (use of the MIT-DU and EC dialogue)
- Simplification of administration wherever possible – grant funding, minimisation of administrative requirements
- Consultations with higher education institutions representations

On the side of the beneficiaries (public higher education institutions):

- Motivational setting of financial support while maintaining the requirements for achieving the objectives
- Possibility of financing the staff capacity necessary for project administration

Recommendation:

- Minimising duplication of tasks on the part of component owners – joint consultations focused on problematic areas outside the expertise of the component owner (audit, agenda information system, monitoring of indicators, etc.)

3.2.2. Support for schools

Identification of risks:

- Lack of interest from schools, insufficient network of mentors, insufficient professional support for teachers, insufficient data.

To eliminate the risks described above:

- Financial support for schools will be interesting, NPI will provide mentors and organisational sponsors from finishing projects, for sufficient data in the process of negotiating data sharing with the MoLSA.

3.2.3. Tutoring of school pupils

Identification of risks:

- Lack of interest from students and their parents to participate in tutoring.
- Insufficient number of teachers to provide tutoring.
- Excessive administration (reporting and publicity requirements) disproportionate to the size of some allocations.

To eliminate the risks described above:

- Implementation of a survey for feedback from autumn tutoring
- Promotion of the NPO, activation of the NPO through own grant appeal to reach the most at-risk groups of students
- Record keeping and publicity tools created and shared to facilitate compliance

3.2.4. Investment in the development of key academic departments

Identification of risks:

- Financial cover, possible lack of financial resources, VAT
- Failure to obtain a timely and final building permit, procurement procedure, situation on the construction market – outcome of the procurement procedure (PP), final price, additional resources for equipment

To eliminate the risks described above:

- Quality PD, determination of the estimated public contract value, setting of business conditions, wording of the contract for work, technical supervision of the investor, suspensions

Component Modernisation of employment services and labour market development

Component	Subcomponent
3.3 Modernisation of employment services and labour market development (MoLSA)	Reform: 1 Developing employment policies
	Investment: 1 Developing employment policy
	Reform: 2 Ensuring sustainable financing of childcare facilities
	Investment: 2 Increasing the capacity of childcare facilities
	Reform: 3 Reform of long-term care
	Investment: 3 Development and modernisation of social care infrastructure

Modernisation of employment services and labour market development

The NPO has been launched. In the second half of 2021, a draft solution was prepared for the development of the MoLSA portal containing the creation of a retraining courses database, one of the milestones of the NPO; this draft was approved by the Office of the Chief eGovernment Architect (OHA) in January 2022. During 2022, the database will be implemented in the MoLSA's portal solution and retraining courses will begin to be added. The database will contribute to higher accessibility of retraining courses for job seekers and persons interested in a job; its further development and expansion of functionalities is expected. The database will not only be used to publish retraining courses, but to ensure the exchange of information and documents necessary to ensure the participation of trainees in retraining courses. Full functionality is expected by 2023.

In 2022, the NPO plans to support the participation of 8 000 job seekers and persons interested in a job in retraining courses in the digital field and in the field of competences necessary for employability in Industry 4.0. To this end, the methodology for implementing retraining through the Czech Labour Office (ÚP ČR) will be modified in order to expand the target group, in particular by increasing the participation of job seekers and abolishing the necessary link of participation in retraining to a specific job ("promise of employment"). Furthermore, the MoLSA will take steps to expand the offer of further vocational training courses, especially in the field of IT and Industry 4.0. Therefore, the concept of possible provision of further education through providers who, while maintaining the quality of education, do not meet the conditions for providing retraining within the meaning of Section 108(2) of Act No 435/2004, on Employment, as amended ("accredited courses") will be tested on a pilot basis. At the same time, methodological changes will be made to the implementation of retraining courses in accordance with the Employment Act. First of all, the requirement for a promise of employment will be removed and the assessment of the benefits of the retraining course for the employment of the supported person will be simplified.

In response to the adoption of the Council's Recommendation on Individual Learning Accounts of 10 December 2021, the MoLSA will prepare the implementation of this tool into the ALMPs system in the Czech Republic during 2022. First of all, it will be about setting up its own instrument ensuring the possibility of participation in further education not only for job seekers and persons interested in a job, but for the general public among the productive population. The tool will be further expanded to include sub-elements of the entire ecosystem of individual accounts – in particular the interconnection with the database of retraining and career counselling, and a discussion will be held on a tripartite basis on other elements (co-financing, educational leave) so that the resulting system meets the needs and possibilities of the Czech labour market.

These days, the MoLSA is also preparing its own strategy for the integration of temporary protection holders from Ukraine into the Czech labour market, and the issues of recognition of qualifications, provision of retraining, courses for the acquisition of general and professional language proficiency, etc., are important points of this strategy. The strategy aims to integrate temporary protection holders from Ukraine into the domestic labour market, respecting their previous career history and utilising their qualification and skills potential. The strategy also considers co-operation between the LO CR and employers' representatives, CzechInvest, sponsors of economic migration programmes, employers from the public sector (education, social services, health care), job portals, and selected employment agencies to be crucial in the process of employment placement. It will also be necessary to provide interpreters for consultation meetings and translations of forms and instructions.

Although the above reforms and investments will mainly support the implementation of the NPO and the achievement of its objectives in 2022, they are essentially more systemic in nature, independent of the source of funding.

A significant risk to the implementation of the NPO in 2022 is posed by the provisional budget from early 2022. As a result, the provision of retraining courses (the creation of new contractual obligations) is being postponed, as is the creation of a retraining database, which can only be launched after the end of the provisional budget period.

Child care services

See also the section above on CSR 2019. The implementation of the NPO is expected to significantly increase the capacity of childcare facilities. The total allocated funds for capacity building of pre-school facilities in the NPO amounts to CZK 7 billion, with all projects to be contracted no later than Q4 2023. Investment from the NPO is expected to increase the number of childcare facilities by 40%.

Development and modernisation of social service infrastructure

As one of the tools to ensure the quality of life for people dependant on care, it is necessary to ensure sufficient capacity of community social care services. The aim of the measure is to address the insufficient social service infrastructure and the need to support the process of transition to community-based social and long-term care service in the Czech Republic. The investment will support the building of additional facility infrastructure, either through renovations of existing buildings or through new construction. At the moment, this support is insufficient. The specific form of the extension is solved for individual objects through material and technical standards, these parameters are based on the setting of an internal regime fully supporting the Individual approach and strengthening clients' identities. These substantive conditions further address specific parameters, capacities, fire safety, describe the immovable and movable assets (material equipment and utilities) technical and operational characteristics, with emphasis on retirement homes, assisted living homes, homes for persons with disabilities and sheltered housing, with particular emphasis on privacy issues. It also deals with operational issues in the areas of cleaning, maintenance and laundry services. They define the concepts of housing, household, accessibility of the building, accessibility of the service, normal environment and others.

Emphasis is also placed on the furnishing of rooms, apartments and households. Every room must enable clients to satisfy their basic human needs on the same principle as in a normal household.

Reforms and public investment beyond the National Recovery Plan

In 2021, the MoLSA continued to implement the system project *Coordination of Measures to Support the Reconciliation of Work and Family Life at the Regional Level*, which aims to improve the coordination of national and regional policies in the field of family support, through a network of regional counsellors and the operation of national and regional platforms. During this period, the project focused on the preparation of proposals for the implementation of family policy measures in the regions. The project was extended until the end of June 2022.

On 9 September 2021, an amendment to Act No 359/1999, on social and legal protection of children (hereinafter the “SLPC Act”) was adopted, which focuses on making partial, most necessary changes to the SLPC system. The amendment to the SLPC Act entered into effect on 1 January 2022. In connection with the adoption of the amendment to the SLPC Act, Decree No 473/2021, on the implementation of certain provisions of the Act on Social and Legal Protection of Children, was amended. The Decree entered into effect on 1 January 2022.

On 26 July 2021 the Government of the Czech Republic approved the First Action Plan for the implementation of the National Strategy for the Protection of Children’s Rights 2021–2029 for the period 2021–2024. The First Action Plan sets out the tasks for the first period of implementation of the National Strategy. It contains dozens of activities. In some cases, a continuation of the activities is outlined for the relevant group of activities in the period of the Second Action Plan (2025–2029). For the sake of clarity, the plan is divided into six thematic areas (spheres of measures), within which the individual measures of the National Strategy will be implemented. These are as follows: legal framework, infrastructure (services and expert assistance network), knowledge and training, education and communication, quality and its monitoring, efficiency and financing.

Following the Council Recommendation issued by the EC on 25 March 2021 establishing the European Child Guarantee (hereinafter the “Child Guarantee”), the Department of Family Policy and Protection of Children’s Rights at the MoLSA is preparing an “Action Plan for the Implementation of the Children Guarantee for the period 2021–2030” (hereinafter the “Action Plan”). The Child Guarantee is one of the outcomes of the European Pillar of Social Rights Action Plan of 4 March 2021 and contributes to the implementation of Pillar Principle 11 on childcare and support for children. It also complements the EU Strategy on the Rights of the Child adopted on 24 March 2021. The Children Guarantee was also adopted by the EPSCO Council on 14 June 2021. In autumn 2021, the Czech Republic appointed a national coordinator of the Children Guarantee, the Director of the Department of Family Policy and Protection of Children’s Rights at the MoLSA, based on the Council’s recommendation. The National Coordinator manages the process of the Action Plan preparation, which involves representatives of the MoLSA, MEYS, MoH and MoRD. The Action Plan also includes the identification of the group of children in need through selected risk factors and facts. The Department of Family Policy and Protection of Children’s Rights prepared a draft action plan, which was consulted with representatives of local governments and selected representatives of the non-profit sector. After incorporating their suggestions and comments, the Action Plan was submitted on 31 January 2022 to the internal comment procedure and on 18 February to the external comment procedure in order to be submitted to the Government by 15 March 2022.

Gender dimension

In order to eliminate gender inequalities in education and on the labour market, the Government of the Czech Republic adopted the Gender Equality Strategy for 2021–2030 on 8 March 2021. In addition to promoting gender equality in education and on the labour market, the strategy focuses on tackling

gender stereotypes, increasing women's representation in decision-making positions, promoting the availability of childcare services and preventing domestic and sexual violence. Ministries report annually to the Office of the Government of the Czech Republic on measures taken to implement the strategy. New operational programmes for the programming period 2021–2027, such as OPE+, OP JAK or EEA/Norway funds, will be used to finance the measures of the strategy.

In 2020, several important documents have been adopted with the aim of **ensuring gender equality in education and science**. In the field of education, the MEYS has adopted the internal Plan for the Promotion of Gender Equality of the Ministry of Education, Youth and Sports for the years 2021–2024. The plan includes measures focusing, for example, on the training of future and current teachers to promote internal differentiation of teaching and non-stereotypical assessment of male and female pupils or the introduction/improvement of gender non-stereotyping in educational and career guidance. These measures have the potential to reduce horizontal segregation between boys and girls in the long term. In 2020, the Education 2030+ Strategy was also approved, incorporating the principle of gender equality into Strategic Line 1: Transforming the content, methods and assessment of education and Strategic Lines 2: Equal access to quality education.

As is evident from data and research on poverty, un/employment, or labour market dropouts (due to sick leave, due to suspension of activity in some sectors), the COVID-19 pandemic and related preventive measures have exacerbated **inequalities between men and women on the labour market**. In addition, preventive measures, which included the closure of some establishments and services, have led to an increase in unemployment among women, who are more likely to be employed in these sectors (tourism, hospitality, catering, retail).

The gender pay gap was 16.4%¹⁷ in 2020, according to Eurostat¹⁸. Compared to previous years, there has been a significant reduction in this indicator. According to the Czech Statistical Office (CZSO), low wages rose faster, especially in the care and education sectors – for nurses, social services workers and primary school teachers. It is in these sectors that women are more significantly represented, which may have contributed to this significant reduction in GPG. However, according to the CZSO, this decline in the pay gap may be a temporary phenomenon, as the increase in salaries and wages may have been partly influenced by the extraordinary bonuses paid as a result of the increased workload in the female-dominated care sector.

In 2022, paternal postnatal care was extended from 7 to 14 days. Its amount remains at 70% of the reduced daily assessment basis per calendar day. Approximately 40% of fathers in the Czech Republic receive paternity benefits.

Employment of foreign workers

In 2021, the number of admissions of labour migrants from third countries returned to the level before the COVID-19 pandemic and the high demand for foreign workers by employers due to labour shortages on the Czech labour market continues in 2022. However, labour migration this year will be significantly affected by the Russian military invasion of Ukraine. Ukraine has long been the main source country of up to 90% of all third-country workers, and the Russian invasion has temporarily prevented the standard process of managed migration from Ukraine. As a result of the invasion, the

¹⁷ This is unadjusted GPG, adjusted GPG in the Czech Republic is stagnating around 10%. For an explanation of the difference between unadjusted GPG and adjusted GPG, see above – introduction to Section 3.3 Fairness.

¹⁸ See Eurostat: https://ec.europa.eu/eurostat/databrowser/view/sdg_05_20/default/table?lang=en

migration of citizens of the Russian Federation and Belarus as aggressor states was simultaneously stopped by government decision.

A quarter of a million Ukrainian war refugees have arrived on the territory of the Czech Republic from the beginning of the invasion until the end of March 2022. The Czech Republic has granted these persons temporary protection and a wide range of rights, including free access to the labour market and the possibility of employment intermediation by public employment services. Although only about half of the Ukrainian citizens with temporary protection are of working age, and the vast majority are women, this is a high number of people who need to be placed on the labour market in a realistic timeframe to regain economic self-sufficiency and independence from the social system. It is advantageous for Czech employers that temporary protection holders can be employed quickly and without permit procedures.

The main instrument for regulating the volume of long-term labour migration from other third countries to the Czech Republic are the quotas set by the Government Regulation for 2022. Within the quotas, labour migration will continue to take place mainly through migration programmes approved by the Government in 2019. In 2022, the effectiveness of the level and structure of quotas and the implementation of migration programmes will be the subject of an ongoing evaluation in co-operation with the relevant ministries and social partners. Once the situation related to the stay of Ukrainian citizens with temporary protection in the Czech Republic has stabilised, a debate will be held on possible quota adjustment or changes to the programmes in response to the suspension of regular labour migration from Ukraine. The participation of foreign workers in the programmes is conditional, among other things, on their increased wages (above the minimum set by labour-law legislation), so the programmes also prevent social dumping.

In 2022, the Czech Republic will continue to support integration projects of municipalities/urban districts at the local level and projects of non-governmental non-profit organisations through subsidy programmes. Newly arrived third-country nationals with a residence permit offering the prospect of eventual permanent settlement in the Czech Republic in the future will be obliged to undergo an adaptation and integration course guaranteed by the Centres for the Support of the Integration of Foreign Nationals, which was introduced in 2021, within one year of being granted the residence permit. There are plans to strengthen adaptation and integration measures in relation to Ukrainian holders of temporary protection

Education policy

We are currently entering the second year of implementation of the Education Policy Strategy of the Czech Republic 2030+ (Strategy 2030+). Its aim is to modernise the Czech education system in the field of regional education, extracurricular and non-formal education and lifelong learning, to prepare it for new challenges and at the same time to solve the problems that persist in the Czech education system. Reforms helping to fulfil the individual objectives of the Strategy and other reforms and public investment, such as the SUMMER CAMPING 2021 call or the National Tutoring Plan, are listed here.

Support for pre-school education

There has been a further improvement in the **availability of pre-school care**. Year-on-year, the number of nursery schools increased from 5 314 to 5 344 and the number of classes increased by 274. The number of children in nursery schools increased by 2 892 year-on-year. Within IROP+, CZK 3 544 943 140 was allocated for the development of nursery schools for the period 2021–2027.

With effect from 1 September 2021, a new systemic solution and financing of the **education of foreign nationals** in nursery and primary schools has been set up. The MEYS has issued methodological instructions for the implementation of language teaching for children and pupils who are foreign nationals in nursery and primary schools. Methodological support for school where pupils are enrolled for compulsory schooling and designated schools is also provided by the regional support centres of the National Pedagogical Institute of the Czech Republic. It offers schools methodological assistance, training programmes, free services for adaptation coordinators and interpreters.

Revision of the FEP PE and methodological support for schools

The revision of the Framework Educational Programme for Primary Education (FEP PE) and the system of methodological support for schools and teachers is an essential measure for primary education. The requirement to adapt and modernise the Framework Educational Programme is one of the logical conclusions of the 2030+ Strategy. Adjustments to the FEP will support the fulfilment of two strategic objectives: to focus education more on the acquisition of competences needed for active civic, professional and personal life and to reduce inequalities in access to quality education and to enable the maximum development of the potential of children, pupils and students. In 2021, An updated FEP PE was issued in the areas of informatics and digital literacy. Subsequently, the content of the FEP PE in key competences, literacy and educational content will be comprehensively innovated. The final version of the revised FEP PE should be issued by September 2023.

School support and management

On the basis of the 2030+ Strategy and the Policy Statement of the Government of the Czech Republic, the supporting **pedagogical positions of school psychologist and school special educator will be institutionalised in mainstream primary schools**. The Ministry of Education has set up a funding model so that the services of school psychologists and school special educators can be used by the widest possible range of pupils who are attending compulsory schooling, while ensuring the long-term stability of these positions. These professionals help the school to effectively manage inclusive education, provide specific support to pupils based on their individual needs, and their activities contribute comprehensively to creating a positive school climate and promoting the mental health (well-being) of all participants in the educational process.

- In the first phase of institutionalisation, the European funds of the OP JAK will be targeted through the planned call Templates for Kindergartens and Primary Schools I. Announcement of the call is planned for May 2022 with the possibility of implementing school projects from September 2022. This phase will last until 31 December 2024.
- In the second phase (from 1 January 2025), the intention is to finance the project from the State budget, which should be preceded by an interim evaluation and a final assessment. In connection with the above, the MEYS will implement the necessary legislative changes related to the systemic setup of the model during the first phase of institutionalisation.

In 2021, the MEYS, together with external experts, prepared the “Standard for School Security and Connectivity” and the “Handbook for Headmasters on IT Management in Schools” to help schools update their digital infrastructure. These documents will help small and rural schools in particular. In the area of high-speed internet for schools, co-operation at the regional level (BCO coordinators with regional ICT methodologists) has been improved.

As part of the development of the teaching profession, the **“Teachers Matter” grant call** was announced in 2021, which supported projects to support teachers, including projects aimed at enhancing the prestige of the teaching profession and increasing interest in the teaching profession. A total of 14 applications were submitted under the call and 12 projects were supported. The intention is to present a similar call in 2022. Increasing the prestige of teacher education and thus the teaching profession itself is also one of the main six objectives of the approved Teacher Education Reform in the Czech Republic.

In September 2021, a **Memorandum of Support for the Teacher Education Reform in the Czech Republic** was signed. The main goal of the reform is to transform teacher training so that the Czech Republic prepares enough new teachers every year who are ready to help all their pupils develop to their full potential, i.e. teachers capable of contributing to the two main objectives of the 2030+ Strategy. Specifically, it focuses on transforming the shape of student teachers’ practical placements, supporting innovation in their preparation and developing didactics in the field. Teacher profiles are intended to lead to a single graduate competency profile that will help faculties better target, evaluate and progressively improve their teaching. The Memorandum was signed by the MEYS and representatives of the Association of Deans of Faculties of Education, Philosophy and Science.

Innovation of the subject-area system

In the period 2021–2023, a process of innovation of the system of educational subject areas for secondary vocational education is underway. This is a comprehensive revision based on the implementation card “Innovation of the subject-area system” within the framework of Strategy 2030+ and the Long-term Plan for the Development of Education and Educational System of the Czech Republic 2019–2023. Its output will be a proposal for a system of educational subject areas for secondary vocational education that is functional, accessible, responsive to the needs of pupils and up-to-date with the requirements of the labour market. A revision of the content of education will also be carried out to ensure that its graduates are equipped with competences for further vocational and non-vocational education and are employable on the labour market in the long term; it will be conceptually based on the link with the National Register of Qualifications (NRQ). The NRQ will be updated in cooperation between the State and employers through their sectoral councils.

Furthermore, from the school year 2021/2022 there is an experimental verification of the alternative examination of the profile part of the Matura examination in the form of complex graduation work in secondary vocational schools and experimental verification of the gradual interconnection of selected fields H, M, N in the group of fields of education 53 – i.e. Health care in secondary and higher vocational schools.

In 2022, the experimental validation of the combined form of education in primary schools will continue, the validation of the new educational area of Man and Technology will be completed and the experimental validation of the subject of Technology will take place.

Improving the quality of education in structurally disadvantaged regions

Within the framework of the implementation card of Strategy 2030+ “Increasing the quality of education in structurally affected regions”, **“Support and further training of teaching staff in structurally affected regions” was implemented in autumn 2021 with an allocation of CZK 4.9 million.** The aim of the support provided was to improve the professional capacities in selected schools in the Ústí nad Labem and Karlovy Vary regions and to increase the competence of teachers to work with diverse groups of children and pupils. Targeted support for 2021 was implemented in 57 schools,

selected on the basis of data by a working group composed of representatives of the MEYS, CSI and NPI. The selected schools showed a **high proportion of children and pupils at risk of social exclusion** and quite weak staffing, which is a prerequisite for addressing the situation, and they were located in municipalities with a very high social exclusion index.

This activity has continued since 2022 within the NPO (3.2.2 Support for schools), where first in the first half of 2022, 57 schools will be linked to the autumn support under the same regime and in the second half of the year the sample of supported schools will be extended to the whole Czech Republic with the overall goal of supporting at least 400 schools (primary and secondary schools) and the volume of implemented activities for comprehensive support schools in the field of work with disadvantaged pupils.

Further reforms beyond the cards of the Education Policy Strategy of the Czech Republic 2030+

As one of the tools to reduce the negative impact of the COVID-19 pandemic on children aged 6 to 15 who will be attending compulsory schooling in the 2020/2021 school year, the MEYS has announced the **SUMMER CAMPS 2021 call**. In particular, the aim of the call was to support the strengthening of social relations with peers and mutual co-operation, to link formal and non-formal education with an emphasis on supplementing partial knowledge and skills, the acquisition of which may have been affected by the absence of full-time education during the school year, to support the well-being and mental health of children, to restore children's work and study habits, to promote children's interest in education, etc. The camps were held from 1 July to 31 August 2021, and were completely free of charge for the participants. The MEYS supported activities through the **Summer Camps 2021 Call** with a total of **399** (out of 412 formally approved projects, 13 applicants withdrew their applications) projects with an amount of **CZK 257 970 000**. **Subsequently, 5 169 camps were implemented by the applicants, with 89 114 pupils enrolled.**

By the end of 2021, pupils have been supported within schools by the State budget with CZK 250 million the **National Tutoring Plan**. And from the beginning of 2022 until the end of the school year 2022/2023, the programme will be followed by a programme of tutoring and support for schools from the NPO with a total allocation of CZK 1 billion. The funds are intended for tutoring and methodological support for schools. Indicators for identifying students for tutoring and a range of materials for tutoring were prepared for teachers and principals.

There was also a call for subsidies for the provision of activities in the field of primary prevention of risky behaviour in schools and educational establishments for 2021. The call was aimed at providing subsidies to support projects for direct work with children, pupils and students, teachers and parents and related activities based on professional platforms in the field of primary prevention of all types of risky behaviour aimed at pupils in schools and school institutions, where the implementer is an external organisation that solves the programmes in close co-operation with the school or school institution. A total of 28 organisations received a grant.

In 2022, the OP RDE is still being implemented, which significantly contributes to addressing the weaknesses in the field of education development at all levels. In 2022, it is expected that the new OP JAK will be approved and launched, which builds on OP RDE and continues to support areas where long-term problems persist, while reflecting new challenges in the field of education. The aim of the OP JAK is to support the development of an open and educated society based on knowledge and skills, equal opportunities and developing the potential of each individual, which will lead to the growth of the competitiveness of the Czech Republic and the improvement of living conditions of its inhabitants.

3.3.2 Health and resilience of the population

Component Improving health care system resilience

Component	Subcomponent
6.1 Improving health care system resilience (MoH)	Reform: 6.1.1.0 Optimisation of the education system
	Investment: 6.1.1.1 Establishment of an intensive care simulation centre
	Investment: 6.1.2 Rehabilitation care for patients after critical conditions
	Investment: 6.1.3 Development of highly specialised care – establishment of a centre for cardiovascular and transplantation medicine

Component 6.1 Improving health care system resilience focuses on developing a system for training health workers in acute care. This will be achieved through the implementation of systemic measures and investments to improve access to care, in the field of education and training of health professionals, including the organisation of their postgraduate education. There will be an increase in the availability and development of rehabilitation care for patients recovering from a critical condition and greater use of highly specialised diagnostic tools. The implementation of the planned measures will increase the availability of treatment of serious cardiovascular diseases, including transplantation medicine.

Currently, the NPO implementation is being set up at the MoH, where the implementation manuals are being finalised, including the information security solution and connection to IS MS2014+. Intensive work is also being done to prepare the calls, which are planned to be announced in the second half of 2022.

For the activities aimed at construction, which will be implemented as pre-defined projects, namely subcomponent 6.1.1.1 Establishment of an intensive care simulation centre and 6.1.3 establishment of a centre for cardiovascular and transplantation medicine, the preparatory part of the implementation has started, when project documentation is being prepared for building permit proceedings.

The calls under this component are planned to be announced in the second half of 2022. Currently, activities leading to the involvement of the MoH staff in the IS MS2014+ are underway so that it is technically possible to ensure the announcement of calls and implementation of projects through this IS.

Following the call for an assessment of the status and feasibility of its components and in the context of the delay in the implementation of the NPO, the MoH proposed partial revisions that would contribute to the smooth implementation of the investments and reforms of the ministry's sector.

For activities aimed at the construction / completion or renovation of buildings, there was either a reduction in the allocation within the proposed revisions, due to a reduction in the scope of the implemented measures due to time constraints, or an increase in the allocation. The increase in the allocation was made mainly to take account of market price developments.

A potential risk of the implementation of the projects itself is the payment of value added tax from the State budget, which is an ineligible expenditure of the NPO. In the event that this tax is not paid to the

subsidy recipients from the State budget, it is very likely that there will be a significant disruption to the financial health of the subsidy recipients, i.e. especially directly managed organisations of the MoH.

Component National Plan for Improving Cancer Prevention and Care

Component	Subcomponent
6.2 National Plan for Improving Cancer Prevention and Care (MoH)	Reform: 6.2.1 Czech National Cancer Control Programme – NOP CR 2030
	Reform: 6.2.2 Promoting and improving the quality of preventive screening programmes
	Investment: 6.2.3 Establishment of the Czech Cancer Institute (CCI)
	Investment: 6.2.4 Development of highly specialised haemato-oncology and oncology care
	Investment: 6.2.5 Establishment and development of the Cancer Prevention Centre and infrastructure for innovative and supportive care at the Masaryk Memorial Cancer Institute

Component 6.2 National Plan for Improving Cancer Prevention and Care is aimed at increasing the resilience of the cancer prevention and care system, which is burdened by the long-term negative impacts of the COVID-19 pandemic, and adapting this system to future crises and the expected increase in the incidence of cancer and its advanced forms.

Currently, the finalisation of reform 1 is underway under component 6.2.1, within which the National Cancer Plan 2030 is being prepared, the preparation of which does not generate any expenditure and is not financed from the RRF. This is a key document formulating the national strategy to combat cancer. First, an expert document, the National Cancer Control Programme, was prepared, which is the basis for the forthcoming strategy, the National Cancer Plan, to be submitted to the Government for approval at the end of March 2022, so that the MoH could submit a monitoring report in due time and report on the fulfilment of the milestone.

For the other subcomponents, the text of calls including selection criteria and conditions of support is being prepared and communication with beneficiaries is underway for pre-defined projects (6.2.3 Cancer Centre at the Motol University Hospital; 6.2.4 Development of highly specialised haemato-oncological and oncological care; 6.2.5 Establishment and development of the Cancer Prevention Centre and infrastructure for innovative and supportive care at the Masaryk Memorial Cancer Institute). For projects, the preparatory phase of implementation has begun, with project documentation being prepared for construction projects.

As part of the existing activities in the field of cancer screening, a population-based pilot programme for the early detection of lung cancer has been introduced as of 1 January 2022 and the implementation and monitoring of the programme will be supported in the following period. Within the framework of the currently implemented pilot projects of the National Screening Centre of the Institute of Health Information and Statistics of the Czech Republic (IHIS), the project Increasing the efficiency of targeted invitations to citizens for colorectal, breast and cervical cancer screening and the project Optimisation of the cervical cancer screening programme by introducing the detection of the human papillomavirus genome using self-sampling kits in women who have not participated in the existing screening for a long time have been completed and evaluated. In 2022, projects will be prepared to improve cancer

prevention, which will be implemented from 2023. At the same time, key stakeholders are discussing how to organise early detection of prostate cancer. The IHIS is involved in the joint action “support to assist Member States to roll out large-scale human papillomavirus vaccination campaigns (EU4H-2021-JA-02)”, specifically in the work package Monitoring of HPV vaccination. The Czech Republic also participated in the iPAAC joint action, the outputs of which can provide a valuable knowledge base for selecting examples of good practice in the fight against cancer.

The calls under this component are planned to be announced in the second half of 2022. Currently, activities leading to the involvement of the MoH staff in the IS MS2014+ are underway so that it is technically possible to ensure the announcement of calls and implementation of projects through this IS.

Following the call for an assessment of the status and feasibility of its components and in the context of the delay in the implementation of the NPO, the MoH proposed partial revisions that would contribute to the smooth implementation of the investments and reforms of the ministry’s sector.

For activities aimed at the construction / completion or renovation of buildings, there was either a reduction in the allocation within the proposed revisions, due to a reduction in the scope of the implemented measures due to time constraints, or an increase in the allocation. The increase in the allocation was made mainly to take account of market price developments.

A potential risk of the implementation of the projects itself is the payment of value added tax from the State budget, which is an ineligible expenditure of the NPO. In the event that this tax is not paid to the subsidy recipients from the State budget, it is very likely that there will be a significant disruption to the financial health of the subsidy recipients, i.e. especially directly managed organisations of the MoH.

Reforms and public investment beyond the National Recovery Plan

Secondary prevention (screening/early detection of disease) is an important part of the effectiveness of the health care system in the long term. As part of this activity, the National Screening Centre (NSC) was established as an organisational unit of the IHIS. The aim of the NSC is to build a methodological and personnel base for the introduction, implementation and evaluation of screening programmes in the Czech Republic.

The SMA and SCID screening programme for newborns was introduced on 1 January 2022. As part of the currently implemented NSC pilot projects, the project of early detection of critical congenital heart defects in mature newborns during hospitalisation and in the early postnatal period was completed and evaluated. Further projects for early detection of non-cancer diseases will be gradually evaluated in the following period. In 2022, the NSC will be preparing projects for early detection of non-cancer diseases according to identified needs and current scientific recommendations.

The National Health Information System remains a key element in assessing the performance and resilience of the health system and has been undergoing significant improvement and streamlining over the long term. The production process for major new registries is gradually being optimised: The National Register of Covered Health Services and the National Register of Health Professionals. In 2020–2021, the Infectious Diseases Information System was significantly improved and expanded,

becoming a key part of the information base for the response to the COVID-19 epidemic, which represents a priority challenge to the resilience of the health system in the Czech Republic.

For 2022, the revenue of the public health insurance system is estimated at CZK 417 billion, which is primarily due to the growth in premium collection and the freeze in payments for State insured persons negotiated in connection with austerity measures in the 2022 State budget. The expenditure side is determined by the **reimbursement decree** for 2022, which is based in 13 out of 14 health segments on agreements concluded between payers and care providers in the conciliation procedure and on an additional increase in reimbursements, which compensates for the 6% increase in wages and salaries in the health sector in 2022. The public health insurance system continues to take into account expenditure on COVID-19, which primarily includes spending on vaccinations and testing in 2022, and total expenditure is estimated at CZK 440.7 billion this year, implying a negative balance of CZK 23.7 billion. The deficit will again be covered by the balances of the health insurance companies, which will be significantly depleted at the end of 2022 and will be reduced by 46% year-on-year.

The main reform in the area of financing is a change in the reimbursement of acute inpatient care between 2020 and 2022 using the newly developed CZ-DRG (Czech – Diagnosis Related Group) classification system. In 2021, there was a widespread implementation of CZ-DRG in reimbursement and reporting, where all acute inpatient care is reported in the new system and over 44% of reimbursement is paid through CZ-DRG via performance-related pay. In 2022, the implementation continues with a new version of the CZ-DRG. One of the main objectives of the implementation remains the reduction of waiting times for interventions, which will be positively affected by the inclusion of modern robotic methods in care with performance-related pay in 2022.

A Working Group for Primary Care Reform (hereinafter the “Working Group”) was established at the MoH in 2021, which actively meets to carry out activities leading to primary care reform. In 2021, the Working Group addressed the issue of the development of the network and capacity of general practitioners for children and adolescents and general practitioners, the issue of the current status and prospects for the future development of the number and structure of general practitioners and general practitioners for children and adolescents, the issue of the shortage of general practitioners for children and adolescents and the provision of primary care for children and adolescents in the Czech Republic. In 2021, the MoH negotiated with representatives of the regions of the Czech Republic to establish co-operation in primary care between the regions and the MoH. The Working Group also addressed the issue of pooled practices and project plans within the OP E+, which are in line with the implementation plan 1.1 of the Strategic Framework for the Development of Health Care in the Czech Republic until 2030 (hereinafter the “Health 2030”). As part of strengthening the competencies of general practitioners, screening services are being addressed, i.e. the involvement in a new lung screening, performance of USG in a general practitioner’s office or, for example, preventive eye examination of children in a general practitioner’s office for children and adolescents, in implementation in selected general practitioners’ offices for children and adolescents. In the context of access to primary care and standardisation of equipment in surgeries, the Working Group is discussing “pooled practices”. The number of resident positions and the amount of their subsidy are addressed in the framework of staff stabilisation in primary care. In the context of quality in primary care, the MoH has published minimum requirements for the implementation of an internal system for assessing the quality and safety of health services. For outpatient care providers, the MoH has defined standards and related quality and safety indicators to meet specific standards.

Within the framework of the MoH's subsidy programme "Supporting health, improving the efficiency and quality of health care" for 2022, the priority "Raising public awareness of the importance of preventive examinations" was proposed in 2021, which is related to the issue of primary care.

In April 2021, the MoH published a list of providers with type I and type II emergency admissions based on the Memorandum of the MoH and health insurance companies on co-operation in building a network of health care facilities with functional emergency admissions in the Czech Republic from December 2019. Section 113b of the Health Services Act, as in effect from 1 January 2022, redefines emergency reception centres and sets out conditions for health service providers establishing such centres. There has also been increased interest in additional inclusion in the network. However, the Working Committee on Systemic Solutions for Emergency Admissions decided that there is currently no medical need to expand the network of emergency admission units. This is also supported by the care payers' position, which found no gaps in care provision by urgent care admissions.

The MoH continues to negotiate with representatives of the regions on the project plan for setting up a system of monitoring, coordination, planning and support of an integrated complex of health and social services to take into account the specifics and needs of individual areas. The basic objective of the system project is to create a Methodology for the Creation of Regional Health and Social Plans, which will then be piloted by individual regions. With regard to the planned creation of a separate Long-Term Care Act, the project and its outputs will respect the systemically set rules, which will be further developed at the regional levels and for which it can be an important source of suggestions and information. The project aims to implement consensus-based rules for the provision of long-term care while respecting regional sovereignty and the needs of individual regions.

The MoH is also involved in a project aimed at the development and adoption of the National Palliative Care Strategy, the specific outcomes of which will be to increase the capacity and ensure regional availability of palliative care education, counselling and consultancy through the establishment of a regional pilot network of palliative care education, counselling and consultancy providers. There will also be another outcome, the development of general palliative care in acute and tertiary care hospitals. The activities will be aimed at increasing the availability and quality of general palliative care in hospitals in the Czech Republic in order to equalise the level of general palliative care across the Czech Republic.

Within the framework of setting up the subparts of integrated health and social services, a project aimed at creating general standards for the system of care for patients with rare diseases will also be submitted. This includes highly specialised, specialist, general and primary health care, palliative and social care. The optimal way to integrate these different levels and types of care will be a system of shared care that clearly defines the role and competencies of individual providers and the patient's journey through the system so that their individual care needs are optimally met in terms of quality, availability and timeliness. The system design of comprehensive shared care will be subsequently piloted as an implementation component of this project in selected regions of the Czech Republic for 3 groups of rare diseases.

Within the framework of IROP 2021–2027, it is planned to announce a call for support for aftercare in 2022, where existing health service providers will be supported. The supported projects should deliver an increase in the accessibility of health services, an increase in the scope and development of the provided health services and the individualisation of the provided services.

In order to promote the interests of persons with disabilities, a National Plan for the Creation of Equal Opportunities for Persons with Disabilities has been developed and adopted for the period 2021–2025, which includes measures in all areas of their lives. It contains a number of tasks to be performed on an ongoing basis, as well as tasks with a deadline. Ongoing tasks are mainly of a more general nature and are actually implemented through activities of several ministries. For the MoH, this mainly involves making information accessible to persons with sensory disabilities, taking into account the issues of persons with disabilities, respecting and promoting their rights in the field of international co-operation, legislative and methodological activities.

Addressing access to affordable health care for homeless people and people at risk of losing their shelter is linked to the increased demand for this type of service and the increased number of potential clients who need and will use the service. Persons living on the streets for various reasons have limited access to health care, and improving access to health care for these persons is one of the sub-objectives of the Strategy for Preventing and Addressing Homelessness in the Czech Republic until 2020, on which the MoH co-operates.

The MoH is implementing a project aimed at supporting health care for homeless people or people at risk of losing shelter. This is the issue of homelessness as a factor of extreme social exclusion and poverty. The MoH is one of the actors of policies related to the prevention and solution of homelessness in the field of public health and health insurance. The project addresses the issue of access to health care for homeless people and people at risk of losing shelter, which is provided in selected localities to a limited extent or not at all in some regions. The project is expected to be completed in September 2022. Ensuring the availability of health care, especially outreach and outpatient care for this target group has much broader implications, not only for addressing their acute health situation, but also for preventing the spread of epidemiologically serious infectious diseases and mapping the health situation. Health care for homeless persons is not specifically addressed in the health care system or in the health insurance system.

A systematic way to align the process and expectations of all stakeholders involved in the digital transformation in the Czech Republic was made possible through the cross-cutting Digital Czech Republic programme. In the context of the COVID-19 pandemic and the follow-up activities of the EC, the Digital Czech Republic programme became the cornerstone for the preparation of the digitisation components of the NPO. Since 2021, the dynamics of the Digital Czech Republic programme have been changing, not only due to the financial allocations, but also due to the ongoing COVID-19 pandemic, which has made the area of digitisation a more than discussed topic, as online platforms, digitised interactive forms and the e-Sick Leave (eNeschopenka) have significantly helped to stabilise the situation. Implementation of investment projects in the IROP will be carried out through activities under specific objective 1.1 Using the benefits of digitisation for the sake of citizens, businesses, research organisations and public authorities. Within eHealth, digital transformation will be supported by activities that will enable the implementation of investment projects such as the introduction of eHealth services and infrastructure of pan-European interoperable electronic services, information sharing between health service providers, integration between individual information systems of health service providers, the introduction of standards for the exchange of medical records, data publication and the creation of information services for patients, and the cataloguing of digital services. For cyber security investment projects, activities are foreseen for the implementation of technical security measures in accordance with Section 5 of the Cyber Security Act and international standards and norms in the field of information security for health service providers and other line organisations. The first calls are expected to be announced in spring 2022. Subsequently, investment projects will be implemented

gradually over the period until 2027. The EU funds (ERDF) will be spent in the Czech Republic according to the division into three categories of regions: less developed regions (NUTS 2 regions Northwest, Northeast, Moravian-Silesian and Central Moravia), transition regions (NUTS 2 regions Southwest, Southeast and Central Bohemia) and more developed regions (Capital City of Prague).

3.3.3 Implementation of the European Pillar of Social Rights

Principle 1 – Education, training and life-long learning

The LO CR can provide or pay for retraining courses for job seekers and persons interested in a job. The aim is to increase the employability of such people on the labour market. It is one of the primary tools to support the participation of the adult population in further education. An important contribution to supporting the participation of the adult population in further education is the POVEZ II project (contribution to employee training and employer wage costs) and also support for employee training through competitive projects in the OPE. These measures contribute significantly to the participation of adults in further education.

The creation of a database of retraining and individual learning accounts will further make further education more accessible to the general public, contribute to its accessibility and increase the participation of the adult population in further education.

Principle 2 – Gender equality

See chapter 3.3.1 above.

Principle 3 – Equal Opportunities

The **Social Inclusion Strategy 2021–2030** (hereinafter the “Strategy”) approved by the Government of the Czech Republic contributes to the implementation of the principle; as a national document, it covers the main areas of importance for the social inclusion of socially excluded persons and persons at risk of social exclusion within the territory of the Czech Republic. The Strategy consistently applies the principle of equal opportunities in all the measures proposed in the Strategy and in the form of guarantees of equal opportunities in the Czech Republic, which are the subject of a separate chapter. The application of the principle of equal treatment and opportunities, including non-discrimination, is seen in the document as an integral part of social inclusion, leading to improved conditions for the active participation of the persons concerned and their involvement in society.

Principle 4 – Active support to employment

Social entrepreneurship and the innovation of ALMPs will strengthen the integration component of employment policy. The aim is to ensure that people with specific needs have access to quality and stable employment. The purpose of strengthening the integration component (whether within social entrepreneurship or within the system of ALMPs) is to ensure continuous work with disadvantaged persons and to eliminate or mitigate their handicaps on the labour market while ensuring their earnings through quality employment.

Principle 5 – Secure and adaptable employment

In accordance with the Labour Code, employers are obliged to ensure equal treatment of all employees

with regard to their working conditions, remuneration, training and the opportunity to achieve promotion or other advancement in employment. Compliance with this principle is monitored and, where appropriate, sanctioned by the labour inspection authorities.

The Labour Code allows employers to offer flexible forms of employment, which include part-time work, flexible working hours, remote work, and the complementary use of employment by means of an agreement to perform work or an agreement to complete a job, which are to serve for short-term or limited work. As of 1 January 2021, employers can also use the new shared employment institute. This is a new form of flexible working arrangement that should help employees better reconcile family and working life. Shared employment is intended to encourage employers to offer part-time jobs, which are the only alternative for certain groups of employees to not leaving the labour market, especially because of the need to care for their families.

The trial period must be agreed in writing, no later than the day of commencement of employment, and it may not exceed three consecutive months from the date of commencement of the employment relationship (six months for senior employees). Compliance with the conditions is monitored and, where appropriate, sanctioned by the labour inspection authorities.

Principle 6 – Wages

After the stagnation of the minimum wage between 2007 and 2012, the minimum wage has increased regularly every year since 2015. The last adjustment of the minimum wage took place on 1 January 2022, when it was increased by 6.6% year-on-year. As of this date, the basic minimum wage is CZK 16 200 per month (or CZK 96.40 per hour for a fixed working week of 40 hours).

Principle 7 – Information about employment conditions and protection in case of dismissals

If the employment contract does not contain information on the rights and obligations arising from the employment relationship, the employer is obliged to inform the employee about them in writing, no later than one month after the employment relationship was established; this also applies to changes to this data. Compliance with these obligations is monitored and, where appropriate, sanctioned by the labour inspection authorities.

Protective measures in case of release are effectively set up in the Czech Republic. In the event of a dispute, employees have the option of defending themselves in court; however, employment disputes brought before the courts are on the decline.

Principle 8 – Social dialogue and involvement of workers

Social partners were also involved in the process of commenting on legislative materials before 2015. [The legislative comment process, i.e. the method of sending out materials for comments, stems from the 1998 Government Legislative Rules (GLR), which have been repeatedly amended by government resolutions.] However, the social partners have only become an indispensable point of reference due to with Article 5(1)(g) of the GLR since 1 January 2015. They were also newly allowed to attend meetings of the Government Legislative Council and to participate in general discussions.

On the basis of Act No 2/1991, collective bargaining is promoted in such a way that in the event of a dispute, a mediator is appointed at the request of one of the parties and, if necessary, an arbitrator. The success rate of intermediaries so designated is very high.

Based on Section 320a of Act No 262/2005, the social partners are granted a contribution for strengthening social dialogue on current issues.

Principle 9 – Work-life balance

See chapter 3.3.1.

Principle 10 – Healthy, safe and well-adapted work environment and data protection

The key means of this aspect is a properly conducted risk assessment. The strategic activities of the Government Council for Occupational Safety and Health and the measures contained in the National Action Programme contribute to the fulfilment of the tasks. The MoLSA emphasises the scientific approach and applied research through the Occupational Safety Research Institute.

The Czech Republic promotes occupational safety and health (OSH) awareness through regularly updated and easily accessible information published on the web. The labour inspection authorities carry out not only inspection activities but also advisory activities to a large extent. Good practice principles are promoted. Emphasis is placed on digitisation enabling new services and forms of work organisation, and the conditions of employees working through digital platforms are examined and discussed. The MoLSA has introduced virtual reality training in the health sector. Currently, the MoLSA has commissioned the preparation of a new National OSH Policy, which will be based on the latest data and knowledge in the field.

The Czech Republic supports proposals to further reduce workers' exposure to hazardous chemicals, including asbestos. In this area, last year the Czech Republic supported the revision of the EP and Council Directive amending Directive 2004/37/EC on the protection of workers from the risks related to exposure to carcinogens or mutagens at work (the 4th package). This fourth amendment to the Directive in question concerns the occupational exposure limit values for the following priority carcinogens: acrylonitrile, nickel compounds and benzene, as these three substances have been identified as being of major importance for the protection of workers' health.

Principle 11 – Childcare and support to children

See chapter 3.3.1.

Principle 12 – Social protection

The Czech social insurance system ensures, with justified exceptions, equal access to social security for employees and self-employed persons. The exceptions are due to the fundamental differences in the nature of the economic activity of the two groups, in particular the absence of an employer who provides and is responsible for some aspects of social insurance for employees, but not for the self-employed. The Czech Republic fully participates in the monitoring of access to social security within the EU working groups, in particular the SPC.

Principle 13 – Unemployment benefits

Equal access to unemployment benefits is ensured by the setting of relevant rules under Act No 435/2004, on Employment.

Principle 14 – Minimum income

The implementation of this principle in 2022 consists of continuing to provide families in specified situations with adequate family benefits of State social support and substitute maintenance, ensuring the basic threshold of assistance to persons at risk of poverty and social exclusion with material need assistance benefits, developing material need assistance benefits with activation measures for inclusion on the labour market, mitigating the social consequences of disability with benefits for persons with disabilities, and helping persons dependent on care to cope with basic living needs with a care allowance.

Principle 15 – Old age income and pensions

In recent years, the relative income situation of the pensioner population relative to the working population has gradually deteriorated, despite repeated extraordinary measures that have increased pensions beyond the long-standing legal rules. Therefore, further measures were taken in 2021 to improve the adequacy of pensions paid. Specifically, an extraordinary increase in pensions was approved, with regular indexation starting in January 2022 by an additional CZK 300. At the same time, the “upbringing benefits” were introduced, which are an increase in the pensions of persons who have cared for children, primarily women, by CZK 500 for each child raised. The introduction of the upbringing benefits also redressed the disadvantage of women who historically had more difficult opportunities to obtain adequate pension entitlements.

Principle 16 – Health care

The area of health care is implemented within the framework of the implementation of measures from the overview of strategic and conceptual documents of the Government related to the NRP 2021 within the Strategic Framework for the Development of Health Care in the Czech Republic until 2030 – Health 2030 and the Implementation Plans of the Strategic Framework for the Development of Health Care in the Czech Republic until 2030, e.g. see activities (mentioned above – 3.3.2. Health and resilience of the population) leading to the achievement of the primary care reform objectives.

The MoH is implementing a project aimed at supporting health care for homeless people or people at risk of losing shelter. The project addresses the issue of access to health care for homeless people and people at risk of losing shelter, which is provided in selected localities to a limited extent or not at all in some regions.

Principle 17 – Inclusion of people with disabilities

The National Plan for the Creation of Equal Opportunities for Persons with Disabilities has been developed and adopted for the period 2021–2025, approved by the Government in July 2020, is the basic document that sets out the basic objectives and measures in the field of State policy towards persons with disabilities.

The aim of the National Plan is to continue to promote and support the integration of persons with disabilities and to fulfil the individual articles of the UN Convention on the Rights of Persons with Disabilities through concrete measures. Each of the 17 thematic areas of the National Plan contains not only the definition of the objectives to be achieved in the following period, but also the definition of a set of specific measures and indicators to monitor their implementation. The report on the

implementation of the measures of the National Plan is evaluated by the Government of the Czech Republic every year.

Setting rules for the recognition of an enterprise as a social enterprise as an alternative to the current protected labour market will contribute to the promotion of employment of persons with disabilities.

Principle 18 – Long-term care

There is currently legislation to regulate long-term inpatient care in the provision of health services. However, in the next period, activities and measures are planned that will be aimed at bringing together and linking the health and social spheres with the aim of creating a comprehensive system capable of responding to the combined needs of people with long-term health and social difficulties.

The MoLSA also expects to propose the preparation of a draft act amending certain acts in connection with the regulation of health and social services (long-term care) in the Government's upcoming Legislative Plan Outlook for 2023. The aim is to define social health services, to define the long-term care client and his or her needs and requirements, to optimise and unify the provision of the long-term care system, to set a uniform perception of quality, at the input, process and output, to increase the availability of long-term care and to increase the efficiency of the use of existing sources of funding, including the creation of conditions for multi-source financing of long-term care so that the system responds adequately to the clients' needs. The deadline for submitting the draft act to the Government is currently expected to be the end of Q1 2023.

Principle 19 – Housing and assistance for the homeless

In 2022, the MoRD will prepare a draft Act on Housing Support. The aim of this Act is to create a legal framework to provide housing support to households at risk of housing shortage or directly in housing shortage and to increase the availability of rented housing. The Act will offer municipalities a set of optional instruments that will enable them to systematically address the housing situation of their residents and it will formulate the method and rules for financing the newly set instruments.

Within the Social Inclusion Strategy 2021-2030, the objective of "Increasing the availability of housing for persons at risk of exclusion from housing or after its loss" is devoted to housing. The Action Plan for 2021-2023 specifies that the objective will be met by continued preparation of an act on social/affordable housing and codifying the new social housing service; further through year-on-year increase in the number of public-assistance/affordable dwellings financed from the SISF, the state budget and funds; last but not least, the continuation of monitoring, evaluation, methodological support and innovation. On 13 December 2021, an expanded version of the Social Inclusion Strategy 2021-2030 came into force to include the issue of homelessness, which also newly addresses improving access to these services for homeless persons, including access to housing, and specific measures will be formulated, among other things, through follow-up Action Plans for the implementation of the Strategy.

The Czech legal system does not sufficiently regulate the protection of persons at risk of eviction. The MoLSA has initiated, in co-operation with the MoJ, discussions on the introduction of the information obligation of the court towards the client and the municipalities (municipal social workers) into the Czech legal system in the framework of preventing housing loss. It is proposed to introduce an information obligation of the court towards the defendant already when an action for eviction is filled and an information obligation of the court towards the municipality when a decision is made.

The MoRD implements the *Supported Flats* sub-programme under the *Housing Support Programme*. The aim of the sub-programme is to support the creation of supported flats, i.e., rented dwellings intended for social housing for persons of economically inactive age and for persons who have difficult access to housing due to special needs resulting from their adverse social situation – age, health or social circumstances of their lives.

The MoRD will announce calls for social housing in 2022 within the framework of the IROP for the programming period 2021–2027 in the estimated amount of approximately CZK 2.7 billion from the ERDF. This will concern the acquisition and adaptation of flats, apartment buildings and non-residential premises for the needs of social housing and the acquisition of the necessary basic equipment.

The MoRD, through the Social Inclusion Section, provides support to local governments in the process of social inclusion, including in ensuring equal access to housing. It supports such measures that will help local governments in the process of social integration of inhabitants at risk of social exclusion and to eliminate socially excluded areas in the context and interest of the whole municipality or region. It also links actors at the local level to work together to prepare and set up longer-term processes to ensure social inclusion.

The SISF implements the *Rented Dwellings Programme* in the form of low-interest loans (financial instrument), which will support applicants (natural and legal persons, including municipalities) in the acquisition of rented dwellings intended for specified groups of disadvantaged persons. The amount of the loan can cover up to 90% of the cost of the investment; the repayment period is up to 30 years from the end of construction. The interest rate starts at 0.5% p.a. The allocation for 2022 is planned at CZK 480 million. The SISF further implements the *Construction for Municipalities* programme, which allows for the provision of a subsidy for the acquisition of public-assisted rented dwellings owned by municipalities intended for households with low incomes and unsuitable current housing, and a preferential loan for the acquisition of affordable rented dwellings owned by the municipality on market terms. The planned budget for 2022 is CZK 659 million.

Principle 20 – Access to essential services

In December 2021, the Government of the Czech Republic approved the Social Inclusion Strategy 2021–2030. The Strategy includes measures to ensure, inter alia, access to essential services for all people without discrimination, with a specific focus on people in need. The objectives of the Strategy were formulated in order to ensure access to some basic services for people in extreme social exclusion. The measures to be elaborated in the Strategy's follow-up action plan will include, among other things, addressing access to social care services for people in extreme social exclusion in cases where they meet the conditions of reduced self-sufficiency, need regular assistance from another person, but their income after exhausting all entitlement possibilities is insufficient to cover the fees charged for them. Another measure aimed at this area is the provision of adequate income and prevention of loss of income for socially excluded persons or persons at risk of social exclusion, the purpose of which is to ensure a dignified life for these persons. The measures focus in particular on regular increases in all minimum income categories, in particular the minimum wage, but also the amounts of the subsistence and living wage.

3.3.4 Availability of housing

In 2022, the MoRD will prepare a draft Act on Housing Support¹⁹. The aim of this Act is to create a legal framework to provide housing support to households at risk of housing shortage or directly in housing shortage and to increase the availability of rented housing. The Act will offer municipalities a set of optional instruments that will enable them to systematically address the housing situation of their residents and it will formulate the method and rules for financing the newly set instruments.

Housing programmes implemented by the MoRD in 2022

The MoRD implements the *Supported Flats* sub-programme under the *Housing Support Programme*. The aim of the sub-programme is to support the creation of supported flats, i.e., rented dwellings intended for social housing, used on the territory of the Czech Republic to provide social housing for persons of economically inactive age and for persons who have difficult access to housing due to special needs resulting from their adverse social situation – age, health or social circumstances of their lives. Under the *Supported Flats*²⁰ sub-programme, the construction of supported flats is carried out through two subsidy titles, namely the *Nursing Flat* and the *Community Home for the Elderly*. The construction will create rented dwellings²¹ intended for social housing for persons of economically inactive age and for persons who have difficult access to housing due to special needs resulting from their adverse social situation – age, health or social circumstances of their lives.

The MoRD also implements a subsidy title aimed at improving the quality of the housing stock by providing funds for the acquisition of obstacle-free access and lifts in houses that are not equipped with them. The aim is, among other things, to enable disabled citizens to continue to use the existing housing stock (vertical mobility). Another subsidy title intended for municipalities is the Technical Infrastructure sub-programme, under which funds are provided for investment into land intended for housing.

The MoRD will announce calls for social housing²² in 2022 within the framework of the IROP for the programming period 2021–2027 in the estimated amount of approximately CZK 2.7 billion from the

¹⁹ The draft Act on Housing Support is included in the 2022 Legislative Plan with a submission date of 2023.

²⁰ In 2021, construction work was completed (by means of a handover and acceptance protocol) on 19 investment projects, within which 2 new Community Home for the Elderly, 11 brand new houses with social service apartments were built and 6 existing houses were converted into supported apartments by building modifications or extensions. Both grants contributed to the creation of 248 social service apartments or apartments in a community home for the elderly. In 2021, a total of CZK 94.89 million in subsidy funds was paid to subsidy recipients, for construction work that was completed in 2021 or for construction work still in progress.

²¹ A rented dwelling can only be provided to a person who meets the net monthly income limit set by the sub-programme. The sub-programme also sets a maximum limit of rent per 1 m² of floor area that cannot be exceeded in the lease agreement (the limit can be changed by the increase in the monthly aggregate consumer price index for total households).

²² This is one of the activities of Specific Objective 4.2: Promoting the socio-economic inclusion of marginalised communities, low-income households and disadvantaged groups, including people with special needs, through integrated measures, including housing and social services.

ERDF. This will concern the acquisition and adaptation of flats, apartment buildings and non-residential premises for the needs of social housing and the acquisition of the necessary basic equipment.

Other measures in the field of housing implemented by the MoRD in 2022

The MoRD – Social Inclusion Section provides support to territorial self-governing units in the process of social inclusion, including in ensuring equal access to housing. It supports such measures that will help local governments in the process of social integration of inhabitants at risk of social exclusion and to eliminate socially excluded areas in the context and interest of the whole municipality or region. It also brings together actors at the local level to work together on social inclusion issues. Brief description of the measures:

Advice to municipalities with socially excluded areas, including in the area of housing

The MoRD – Social Inclusion Section has long provided expert advice to municipalities as part of a comprehensive coordinated approach to socially excluded areas in the context of local and national housing policy. Recommendations are made to local actors in relation to the implementation of measures in the area of housing stock management, the revision of the principles for the letting of municipal stock, approaches to the introduction of social housing and the promotion of social work and social housing.

Advice on the preparation of plans for municipalities interested in drawing support for housing projects from OPE+ funds in 2022

Based on the piloting of projects inspired by the Housing first and Housing ready approach, the MoRD – Social Inclusion Section provides expert support to implementers who decide to continue or re-pilot activities related to housing in households with the support of individual social work. These projects are in the initial stages of discussion at the level of municipalities. The advantage of working with these actors is the linking of housing and other areas of social inclusion, especially safety, community work, health and debt.

Research on partial aspects of housing shortage in social exclusion, including monitoring the effectiveness of Immediate Emergency Assistance benefits

The specifics of housing shortage in socially excluded areas and changes in social exclusion as a result of societal changes are monitored in the framework of research studies of the MoRD – Social Inclusion Section. Studies in the area of housing focus on examining the private housing market segment, the effectiveness of benefits in material need, and examining target group specifications for social housing and, appropriately, forms of promoting social inclusion through social work in housing. See also <https://www.socialni-zaclenovani.cz/oblasti-podpory/bydleni/>.

Introduction of new housing policy tools with an emphasis on the prevention of housing loss (e.g. coordinator – case manager in the field of housing, contact centres, social real estate agencies, guarantee and crisis funds in municipalities)

Within the framework of strategic planning, local partners of the MoRD – Social Inclusion Section implement innovative tools for local transformation of housing policies leading to bringing the housing agenda closer to the residents of the relevant areas, finding easier assistance, finding additional sources of housing capacity and rescue mechanisms in keeping households in housing. These activities follow

the trends in the introduction of social housing in the European context and are also already defined in national strategic documents on social inclusion.

Housing programmes implemented by the SISF in 2022

The SISF implements the *Rented Dwellings* Programme in the form of low-interest loans (financial instrument), which will support applicants (natural and legal persons, including municipalities) in the acquisition of rented dwellings intended for specified groups of disadvantaged persons. The amount of the loan can cover up to 90% of the cost of the investment; the repayment period is up to 30 years from the end of construction. The interest rate starts at 0.5% p.a. The allocation for 2022 is planned at CZK 480 million. The budget is currently not yet approved.

The SISF further implements the *Construction for Municipalities* programme, which allows for the provision of a subsidy for the acquisition of public-assisted rented dwellings owned by municipalities intended for households with low incomes and unsuitable current housing, and a preferential loan for the acquisition of affordable rented dwellings owned by the municipality on market terms. The projected budget for 2022 is CZK 659 million. However, the budget has not been approved yet.

3.4 Macroeconomic stability

Until the arrival of the global pandemic, the Czech Republic was steadily complying with both the EU and Czech fiscal rules. Immediately after the recession in 2013, fiscal policy was expansionary, but in the following years until 2017 it was already restrictive to neutral. Given the economic growth of over 5% in 2015 and 2017, public finances have complemented economic performance. The expansionary policy then started to take place in 2018 and 2019, with economic growth rates of around 3% and a strongly positive output gap. Although the fiscal policy stance in such a case should have remained rather neutral to restrictive, it cannot be said to have caused any current macroeconomic difficulties or imbalances.

As the epidemic started, it was necessary for the Government to increase the room for manoeuvre beyond the limits given by the automatic stabilisers, which implied a fiscal rule based on the concept of structural balance. Two amendments to the Budgetary Responsibility Rules Act were adopted, reflecting both the uncertainties regarding the further development of the epidemic situation and the support measures approved by the Parliament. The fiscal expansion over the years 2020 and 2021 exceeded 4 percentage points. The expansionary setting itself, viewed in terms of economic performance, was undoubtedly appropriate, with the economy growing by 3.3% in 2021, although the output gap remained negative and real output did not reach its pre-crisis level.

By contrast, 2022 is the first period of fiscal consolidation. The Government proposed a State budget for 2022 with a deficit of CZK 280 billion, which was almost CZK 100 billion less than the previous Government's proposal. The difference from the original proposal also reflects the desire to consolidate public finances faster than required by the Budgetary Responsibility Rules Act. Given the geopolitical risks brought about by the Russian aggression in Ukraine, the need to adjust the approved proposal and increase the State budget deficit cannot be ruled out, but fiscal policy should be restrictive in 2022. Relatively moderate consolidation is envisaged in the coming years, which should not hamper economic growth and it should also halt the increase in general government debt. The economic recovery should benefit significantly from the involvement of the EU budget.

The dominant element of public finances is the State budget. The fiscal rule based on the structural balance determines the maximum levels of government spending and government funds. The Budgetary Responsibility Rules Act requires that the setting of expenditure frameworks reflect a minimum positive fiscal effort (i.e. an improvement in the structural balance) of 0.5 percentage points. Therefore, the Act also allows for faster consolidation if the overall economic situation allows it. Consolidation will then end after the achievement of the medium-term budgetary objective, which for the Czech Republic corresponds to -0.75% of GDP.

Further information on the fiscal policy settings is contained in the current *Convergence Programme of the Czech Republic*.

3.4.1 Financial stability

The Czech National Bank (CNB) assesses the stability of the financial system, taking into account risks associated with macroeconomic developments. The results of the assessment are presented in the Financial Stability Report

and other publications focusing on financial stability and macroprudential policy. It assesses quarterly

developments in the banking sector and sets the countercyclical capital buffer rate. Twice a year, it then decides on the setting of credit indicators governing the conditions for mortgage lending.

As discussed in chapter 2 Macroeconomic Context, the domestic economy experienced a significant recovery in economic activity in 2021, contributing to favourable developments in the domestic financial sector. Therefore, the CNB concluded that, given the increasing cyclical component of systemic risk in the banking sector, it was necessary to ensure capital accumulation by building up reserves for unfavourable times, namely that it was appropriate to increase the countercyclical capital buffer rate. Before the start of the COVID-19 pandemic, this was applied at 1.75% of the risk-weighted exposures in the Czech Republic. After the onset of the pandemic, the CNB gradually reduced this rate to 0.5% as a precautionary measure in case banks suffered significant credit losses. However, this did not happen and the CNB therefore gradually increased the rate of this reserve to 2.0% in 2021 and at the beginning of 2022, with effect from the beginning of 2023 (this will reach 2.5% from April 2023). This will support the domestic banking sector's ability to lend to the real economy even in the event of an adverse economic shock, thanks to the greater room for later dissolution of this buffer.

The Czech Republic has been one of the developed countries with the highest increases in nominal and real residential property prices for many years. From the beginning of 2015 to Q3 2021, their nominal price level has already risen by almost 95% and real prices, adjusted for CPI inflation, by 63%. Despite a significant increase in household incomes, housing affordability is deteriorating significantly. According to CNB analyses, average house prices are currently safely affordable for only about 15% of households. The growing demand for residential property for both owner-occupation and investment purposes was reflected in the strong growth in mortgage lending. Their volume increased as a result of the rising average mortgage loan amount and the increasing number of loans. This development became strongly evident during 2021, when the mortgage market began to show noticeable signs of overheating, in part due to supportive fiscal measures. Although the overall debt-to-gross disposable income ratio of households remained close to 60%, the indebtedness of some households with newly granted mortgages had started to approach high-risk levels.

Since 2014, the CNB has focused intensively on the risks associated with the link between property prices and loans for property acquisition. It has successively recommended that mortgage lenders adhere to limits on LTV (loan to value), DTI (debt to income) and DSTI (debt service to income). In response to the onset of the pandemic, the CNB acted counter-cyclically in line with its earlier communication in this area – in 2020, the LTV limit was raised to 90% and the limits on the DTI and DSTI indicators were abolished, which contributed to the smooth functioning of the mortgage market. In 2021, the CNB decided to use the new statutory powers it had been seeking since 2017 in view of the beginning spiral effect between rising debt financing for property purchases and rising property prices leading to amplified systemic risks. With effect from 1 April 2022, it set the LTV ceiling at 80%, the DTI ceiling at 8.5 times the applicant's net annual income and the DSTI limit at 45% of monthly net income. Under the amended CNB Act, which underpins the new macroprudential mandate, banks are allowed to tolerate higher limits for applicants under 36 years of age – 90% for LTV, 9.5 times for DTI and 50% for DSTI. The CNB will assess the limits twice a year, but their level should be largely stable over time. Their main objective is to prevent a disproportionate increase in the share of loans with high-risk characteristics on banks' balance sheets. Positive side effects of the introduction of credit ceilings may include reducing the vulnerability of new mortgage borrowers and reducing the conditions for further significant increases in house prices. However, the role of other types of economic policies implemented by authorities other than the central bank is much more important here. Desirable measures are described in the relevant OECD Recommendations.

The Government's support measures during the pandemic led to an increase in public debt. As the domestic banking sector is one of the key creditors of the Czech government, the CNB assesses the risks of concentrations of domestic banks' exposures to government bonds each year through a public finance stress test. The volume of Czech government bonds held by banks increased significantly. Relative to client loans, it still falls short of 2010-2015 levels, but nevertheless creates a stronger potential for sovereign risk. The crucial sovereign risk indicator has increased to its highest value in the history of the stress test in the baseline scenario in 2021. However, the latter remained well below the supervisory thresholds; therefore, the CNB will not require banks to create additional capital requirements to cover the concentration risk of these exposures in the next three years. However, the test results obtained using the adverse scenario indicate that the combination of negative economic developments and the lack of credibility of consolidation measures after the pandemic could lead to a reduction in investors' still robust confidence in the sustainability of the Czech public finances in the medium term. Therefore, the CNB will pay increased attention to sovereign risk in its financial stability analyses in 2022.

3.4.2 Price stability

The main task of monetary policy is to maintain price stability. Since January 1998, i.e. for more than 20 years, the CNB has been applying an inflation targeting regime under which it aims to achieve inflation close to a pre-announced target. It has been set at 2% since 2010, with a tolerance band of ± 1 percentage point for annual CPI growth. A target at this level is consistent with the practice of advanced economies.

Throughout 2021, the Czech economy will be significantly negatively impacted by problems in global production and supply chains and related shortages of components and materials. Despite these problems, domestic economic activity has gradually started to recover and grew by more than 3% over the year as a whole. Although the domestic economy did not return to pre-pandemic levels during 2021, it nevertheless began to show clear signs of overheating. Household consumption has become the dominant driver of economic growth. With the return to normal life, households began to make up for the previous forced deferral of consumption. They have financed their spending from rapid wage growth in a re-heating labour market, as well as from accumulated savings from the closures of businesses. The households' consumption appetite was also supported by generous fiscal policy, namely various forms of State support during the pandemic, the abolition of the super gross wage and the indexation of pensions beyond the statutory limits.

The year 2021 was marked by significantly increasing costs for Czech companies. Domestic factors were contributing to an increasing extent, including in particular the renewed tightness of the labour market, which had only partially cooled during the pandemic. The unemployment rate had fallen gradually again during the year, and further growth in labour demand had hit labour shortages. This led to an acceleration in nominal wage growth from mid-2021. In addition, Czech companies also faced strong foreign cost dynamics. Problems in international logistics and related shortages of components and materials have resulted in a steep rise in industrial producer prices in the euro area. Their inflationary effect on the Czech economy was furthermore amplified by the sharp rise in the price of electricity and natural gas on world exchanges in the autumn.

Rising input prices, strong and rising demand and supply-side difficulties had led to rising domestic inflation, which had accelerated in the second half of the year and had moved significantly away from the 2% inflation target. High and accelerating consumer price inflation was broad-based, with core

inflation making the dominant contribution. The surge in consumer demand has created an environment in which retailers

and service providers reflected unprecedented cost increases in their prices, while at the same time recouping lost revenue from the period of widespread closures of businesses. As a result of the rising cost of construction work and materials and the rapid growth in the price of new properties, the cost of owning housing, which is captured in the form of imputed rent and has a relatively high weight in the domestic consumer price index, has also increased significantly. Conversely, the impact of the dramatic autumn rise in electricity and gas prices on world exchanges had not yet fully manifested itself in November and December inflation due to the temporary remission of VAT on these items. Despite this, inflation will exceed a long-unseen 6% by the end of 2021. Inflation averaged 3.8% for the year as a whole, the highest in more than a decade.

The CNB's monetary policy in 2021 was assessing gradually changing signals about the nature of inflation factors and shocks in an environment of continued heightened uncertainty. The uncertainties and risks identified in the forecasts included both the timing and impact of the winding down of anti-pandemic measures and the associated recovery in economic activity, but also the length of disruptions to global production and supply chains, rising inflation expectations, increasing profit margins for producers and sellers of goods and services and the evolution of the exchange rate of the Czech Koruna. These risks were gradually realised in an inflationary direction, compounded by extraordinary energy price increases. This combination of factors was reflected in stronger-than-expected growth in both costs and in the overall excess of demand over supply in the Czech economy.

In response to rising inflationary pressures, the CNB started raising interest rates in June 2021. The CNB was one of the first central banks to identify the inflationary effects of the COVID-19 pandemic arising from supply-side constraints and pent-up demand, and it announced expected interest rate increases from mid-2021 already at the end of 2020. However, sharply rising and long-unprecedented inflationary pressures during the year made it necessary for the CNB to tighten monetary policy more quickly and significantly than previously expected. It was necessary to limit the pass-through of exceptionally strong inflationary pressures from the foreign and domestic economy into price developments over the longer term, to ensure that inflation at the monetary policy horizon returned to close to the 2% inflation target and to support the anchoring of inflation expectations at this target. Therefore, at its last three meetings in 2021, from September to December, the Bank Board proceeded to increase the main interest rate, the two-week repo rate, by a total of 300 basis points. The CNB thus raised interest rates by three and a half percentage points to 3.75% in a total of five steps throughout the year.

Inflation rose further in early 2022 and stood at 11.1% in February. The high price growth reflects strong inflationary pressures from the domestic and foreign economies, further amplified by the energy crisis in autumn 2021 and the outbreak of war in Ukraine in February 2022. The military conflict in Ukraine, together with sanctions against the RF, has triggered a sharp rise in the prices of energy, industrial and food commodities. It will also lead to prolonged problems in the supply of materials and components. The CNB continued to raise interest rates sharply in February and at the end of March 2022 (the repo rate reached 4.50% and 5.00%, respectively). Restoring price stability again soon is now the CNB's absolute priority, as it is an absolutely necessary condition for the long-term prosperity of the Czech economy. The CNB is prepared to continue raising interest rates so that inflation expectations do not deviate from the CNB's 2% inflation target in the longer term.

The outbreak of war in Ukraine led to excessive exchange rate fluctuations and a rapid depreciation of the Czech Koruna. The Czech National Bank responded by intervening on the foreign exchange market at the beginning of March. Combined with the calming of the situation on the financial markets, this led to an appreciation of the Czech Koruna. Under the managed floating exchange rate regime, the CNB remains ready to respond at any time to excessive fluctuations in the exchange rate of the koruna that would lead to a disruption in the smooth functioning of the foreign exchange or financial market or that would threaten price and financial stability in the Czech Republic. The CNB has sufficient foreign exchange reserves to meet its monetary policy objectives and other tasks.

3.4.3 Tax policy

In the coming period, tax policy will focus on a customer oriented approach to tax subjects in not increasing the tax burden, identifying and possibly abolishing unsystematic tax exemptions, reducing the bureaucratic burden in tax and fee administration and ensuring better measures against transfer pricing abuse and illegal optimisation practices and tax evasion.

As of 1 January 2023, it is planned to abolish mandatory electronic sales registration, which has proved to be a not very effective measure increasing the administrative burden on entrepreneurs with the growing volume of non-cash payments. Parametric adjustments, including a limit increase, will also be made to the VAT control statement.

In order to reduce the administrative burden on entrepreneurs, the following are being prepared: an increase in the limit for mandatory VAT registration to CZK 2 million; a simultaneous extension of the flat income tax to CZK 2 million; and the determination of the amount of flat tax and flat-rate public insurance contributions for income from CZK 1 million to CZK 2 million.

Furthermore, a new Accounting Act is being prepared, reflecting the need to modernise accounting rules to meet current user requirements with an emphasis on financial reporting. It includes, for example, extending the use of international accounting standards for the preparation of financial statements, introducing the possibility to use the functional currency (euro, dollar, pound) for accounting and income taxes. This is further linked to changes in income taxes, such as the recodification of the tax treatment of property (in particular changes in the area of depreciation of tax assets – reduction in the number of depreciation groups, transition to monthly depreciation), introduction of the possibility to base the tax base on the IFRS (International Financial Reporting Standards) result, introduction of the possibility to calculate income tax in functional currency, conceptual change in the valuation of assets, etc.

The EC has recently put forward several legislative proposals, which are both revisions of existing directives and entirely new proposals. In particular, the Revision of the Directive on the taxation of energy products and electricity, the Revision of the Directive on the taxation of tobacco products, the draft Council Directive ensuring global minimum (effective) taxation of multinational companies in the EU or the draft Council Directive laying down rules to prevent the abuse of shell entities for tax purposes and amending the Directive on administrative cooperation in taxation. These proposals are highly complex and raise a number of issues that will have to be resolved in the EU. Therefore, the relevant negotiations can be challenging. However, the Czech Republic is ready to actively address this issue, possibly even within the framework of its Presidency.

4. Progress on the UN Sustainable Development Goals

In terms of meeting the SDGs indicators, the Czech Republic is on a favourable trajectory in the case of SDGs 1, 2, 8, 10 and 11; in the case of SDGs 3, 4, 5, 7, 9, 12, 13, 16 and 17, the pace is slower than the EU average. SDGs 6 and 15 show a negative trend away from the target. SDG 14 is not relevant for the Czech Republic.

Green transformation

SDG 7 Affordable and clean energy

Primary energy consumption in the Czech Republic is declining, with the index reaching 88.2 in 2020, which is still higher than the EU average (82.6).²³ Similarly, the Czech Republic is above the EU average in final electricity consumption in households.²⁴ The binding target for the share of RES for 2020 (13%) was exceeded by 3.2 pp.²⁵ Although the energy intensity of the economy has fallen by more than 20% since 2010, the Czech economy consumes significantly more energy per unit of economic output than the EU average²⁶ and the energy mix is dominated by fossil fuels. At the same time, the Czech Republic is among the countries with lower dependence on energy imports.²⁷

SDG 7 issues are significantly reflected in chapter 3.1.1 *Physical infrastructure and green transformation*, especially in the component *Development of clean mobility*, which aims to increase the share of alternative-fuel vehicles. Under the component *Reducing energy consumption in the public sector*, synergy effect is also based on component 2.2 and related calls aimed at increasing energy efficiency, in particular through pre-project preparation and support for the use of RES and implementation of measures to reduce energy consumption in buildings.

SDG 13 Climate action

For the issue of climate change, the Czech Republic has developed basic strategic documents offering procedures to mitigate and adapt to its impacts. The Czech Republic is one of the countries with the highest per capita greenhouse gas production.²⁸ The reduction in emissions was also negatively affected by developments in the LULUCF sector and the reduction in carbon sequestration due to the bark beetle calamity.

The steps outlined in chapter 3.1.1 respond to the challenges in implementing SDG 13. Physical infrastructure and green transformation, specifically the *Nature conservation and adaptation to climate change* component and its sub-components focused on flood issues, support for measures on small watercourses and small reservoirs (these are projects that have already started in 2020 and are expected to be completed in 2022). In terms of carbon sequestration, the sub-components *Building climate*

²³ Eurostat (2022). [Primary energy consumption](#).

²⁴ Eurostat (2022). [Final energy consumption in households per capita](#).

²⁵ MIT (2020). [Share of renewable energy in gross final energy consumption 2010–2019](#).

²⁶ Eurostat (2022). [Energy productivity, by country](#).

²⁷ IEA (2022). [Czech Republic](#).

²⁸ <https://ec.europa.eu/eurostat/web/climate-change/visualisations>

resilient forests and Implementation of land improvements with a positive effect on erosion prevention and rainfall retention also peripherally address the issues mentioned in SDG 13.

SDG 15 Life on land

Forests currently cover about 35% of the Czech Republic.²⁹ In 2020, the volume of registered timber harvesting (35.8 million m³ of timber without bark) and the volume of incidental harvesting (33.9 million m³ of timber without bark) reached a historic high.³⁰ The agricultural sector is not prepared for the effects of climate change and, in addition, as a result of intensive agriculture (i.e. inappropriate farming methods and a high proportion of large land blocks), agricultural land has been declining for a long time – in 2020, a total of 1.9 thousand ha of agricultural land was lost. In the Czech Republic, 51.7% of agricultural land was at risk³¹, of which 15.6% was subject to extreme erosion. 22.9% of agricultural land is threatened by wind erosion.³² The main reason for this was the decline in the area of arable land, which decreased by 9.2 thousand ha in 2020. The area of grassland is steadily increasing, which can be described as ecologically favourable.³³ Excessive areas of monocultures are one of the causes of biodiversity loss. In an effort to counteract its decline, the Czech Republic has capped the area of monocultures at 30 ha on erosion-prone land from 2020 and on all other land by 2021.

The actions in subchapter 3.1.1 *Physical infrastructure and green transformation* respond to the themes related to SDG 15, in particular the component *Nature conservation and adaptation to climate change*, which aims to increase the resilience of forests by changing their species, age and spatial composition and the retention capacity of forests. Care for specially protected areas and Natura 2000 sites and care for specially protected species of plants and animals are written into the *Promoting biodiversity and combating drought* component. Beyond the NPO, it is also necessary to mention the preparation of the implementation of the new Common Agricultural Policy and the reform of the State administration bodies for forests and hunting.

SDG 12 Responsible consumption and production

The material intensity of the economy has been declining for in the long term, with only a very small decline in the last five years³⁴, but in terms of domestic material consumption the Czech Republic is below the EU average.³⁵ The circular economy is more of a long-term goal for now, with total waste production increasing by 3.1% year-on-year between 2019 and 2020.³⁶ The recycling rate of the raw materials used is low. The overall waste management is dominated by material recovery, which is increasing, accounting for 86.2% of total waste production in 2020.³⁷ The share of waste recovered for energy recovery is small - the amount of waste recovered for energy recovery in 2020 was 1 382.8 thousand tonnes.³⁸ At least a partial improvement is promised by the 2021 amendment to the Public Procurement Act, which introduces socially responsible procurement in all public procurement. A

²⁹ https://ec.europa.eu/eurostat/databrowser/view/SDG_15_10/default/table?lang=en&category=sdg.sdg_15

³⁰ Czech Republic Environment Report 2020, p. 216.

³¹ Ibid, p. 194.

³² Ibid, p. 197.

³³ Ibid, p. 187.

³⁴ Ibid, pp. 170-171.

³⁵ https://ec.europa.eu/eurostat/databrowser/view/sdg_12_20/default/table?lang=en

³⁶ Czech Republic Environment Report 2020, p. 170.

³⁷ Ibid, p. 179.

³⁸ Ibid.

fundamental change is expected from the implementation of the *Circular Czech Republic 2040 Strategic Framework*.

In particular, chapter 3.1.1 *Physical infrastructure and green transformation*, the *Circular economy, recycling and industrial water* component responds to the themes in SDG 12 by implementing new waste management legislation, preparing an update of the Waste Management Plan of the Czech Republic for the period 2015–2024 and drafting a new act on limiting the environmental impact of selected plastic products. Within the framework of building recycling infrastructure and its management, an Implementation Action Plan for the period 2022–2027 of the Circular Czech Republic 2040 Strategic Framework will be prepared in 2022.

SDG 6 Clean water and sanitation

The population is highly connected to the water supply system and sewerage network, with 94.6% of the population supplied with water from public water supply³⁹. This is matched by the low proportion of people without access to water at home.⁴⁰ The share of wastewater treatment has increased slightly, while the share of treated wastewater excluding rainwater remains very high.⁴¹ Groundwater nitrate pollution is below the European average.⁴² As regards groundwater pollution with phosphates, the Czech Republic exceeds the EU average by several times; the average is 0.059 milligrams per litre, compared to 0.140 in the Czech Republic.⁴³

The themes from SDG 6 are reflected in chapter 3.1.1 *Physical infrastructure and green transformation*, component *Nature protection and adaptation to climate change*. It aims primarily at flood protection, but also at erosion prevention and rainwater retention. The same chapter addresses the issue of groundwater pollution in the form of support for erosion prevention measures. The *Circular economy, recycling and industrial water* component also partially addresses the topic of water pollution by proposing an act on limiting the environmental impact of selected plastic products, which is proposed to take effect from 1 July 2022.

SDG 11 Sustainable cities and communities

Urban air quality remains a problem. The concentration of PM2.5 in conurbations in the Czech Republic in 2019 was 14.4 µg/m³, slightly above the EU average⁴⁴. The recycling rate of municipal waste in the Czech Republic has been gradually increasing for many years. In 2020, 34% of municipal waste was recycled, but this is still relatively low compared to the EU average⁴⁵.

The air pollution problem is addressed to a greater extent in the components Developing clean mobility (purchase of alternative-fuel vehicles, construction of infrastructure) and Building renovation and air protection (energy efficient and adapted buildings, awareness raising) in chapter 3.1.1. The problems with limited recycling of municipal waste are addressed to a greater extent in the Circular economy, recycling and industrial water (legislative changes, recycling of biodegradable waste) component in the same chapter.

³⁹ <https://www.czso.cz/csu/czso/vodovody-kanalizace-a-vodni-toky-2020>

⁴⁰ https://ec.europa.eu/eurostat/databrowser/view/SDG_06_10/default/table?lang=en&category=sdg.sdg_06

⁴¹ Czech Republic Environment Report 2020, p. 56

⁴² https://ec.europa.eu/eurostat/databrowser/view/SDG_06_40/default/table?lang=en&category=sdg.sdg_06

⁴³ https://ec.europa.eu/eurostat/databrowser/view/SDG_06_50/default/table?lang=en&category=sdg.sdg_06

⁴⁴ https://ec.europa.eu/eurostat/databrowser/view/sdg_11_50/default/table?lang=en

⁴⁵ https://ec.europa.eu/eurostat/databrowser/view/sdg_11_60/default/table?lang=en

Fairness

SDG 1 No poverty

The proportion of people at risk of poverty or social exclusion in the Czech Republic in 2020 was 11.9%⁴⁶, which is one of the lowest proportions of people living below the poverty line compared to other EU countries. This long-term stable and relatively low proportion is mainly the result of social transfers, partly of old-age pensions and partly of other types of pensions and social benefits. Although the proportion of the population at risk of poverty is low compared to EU countries, the threshold itself is one of the lowest. Similarly, unemployment in the Czech Republic is one of the lowest in the EU, at 2.1% at the end of 2021, which is significantly below the EU average.⁴⁷

Many of the problems (extreme poverty, social protection) targeted by SDG 1 do not directly affect the Czech Republic as an economically developed country with a functioning social protection system; therefore, they are not targeted by the NRP. A topical issue addressed in chapter 3.3 (Fairness) is pension reform, which, although not directly addressed in SDG 1, is closely related to the at-risk-of-poverty rate and the social protection system and can be very beneficial for progress towards SDG 1. The above-mentioned problems in SDG 1, which the Czech Republic addresses as a developed country, are partly addressed in chapter 3.3.1 through the modernisation of employment services and retraining courses.

SDG 3 Good health and well-being

Healthy life expectancy is rising, averaging 62 years in 2019, and like in other EU countries, women live healthier and longer lives than men.⁴⁸ Tobacco prevalence among the population aged 15 and over is declining, reaching 30% in 2020, but it is generally among the highest in the EU.⁴⁹ Similarly, the number of deaths due to traffic accidents in the Czech Republic is above average among other EU countries. Covid-19 has been a major challenge not only in the health sector in the last two years. The Czech Republic was severely affected by the Covid-19 epidemic, but the health system withstood the onslaught. However, the pandemic has exacerbated long-standing unaddressed gaps in access, employment and financing of social and health services. Currently, 74% of the adult population in the Czech Republic is vaccinated, which is below the EU average.⁵⁰ From the start of the pandemic to February 2022, 37.6 thousand people have died from the disease⁵¹, making the Czech Republic one of the most affected countries by COVID-19 in the EU.

Some of the problems in SDG 3 are addressed in chapter 3.3.2, which, for example, within component 6.2.1, prepares the *National Cancer Plan 2030*, which should raise the level of cancer prevention and care to a higher level in terms of accessibility and quality, thus prevent premature deaths, which are the focus of SDG 3. At the same time, some of the NPO measures are facing the still tangible effects of the pandemic, making long-standing health plans uncertain. However, in chapter 3.3.2, the issue of sustainable financing of the public health insurance system is raised in favour of SDG 3.

⁴⁶ https://ec.europa.eu/eurostat/databrowser/view/sdg_01_10/default/table?lang=en

⁴⁷ https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Unemployment_statistics#Unemployment_in_the_EU_and_the_euro_area

⁴⁸ https://ec.europa.eu/eurostat/databrowser/view/sdg_03_11/default/bar?lang=en

⁴⁹ https://ec.europa.eu/eurostat/databrowser/view/sdg_03_30/default/bar?lang=en

⁵⁰ <https://www.statista.com/statistics/1218676/full-covid-19-vaccination-uptake-in-europe/>

⁵¹ <https://www.ecdc.europa.eu/en/cases-2019-ncov-eueea>

SDG 5 Gender equality

Women in the Czech Republic have lower overall average earnings than men⁵² and face significant difficulties in career growth. Women are also at greater risk of unemployment and, over the course of their lives, income poverty. In the EU Gender Equality Index for 2021, the Czech Republic scored 56.7 and has long been one of the countries with the most significant gender inequality in the EU.⁵³ The area that underlines gender inequality in the Czech Republic is probably the representation of women in leadership and decision-making positions, whose share has long oscillated between 25% and 30%, with a lower share of women in elected positions than in decision-making positions, and at the same time the share of women in parliaments is one of the lowest in the EU.⁵⁴ In the vast majority of cases, women go on parental leave, take care of the household or other family members. The gender employment gap has been moving against women for a long time, with a 15% gap in 2019.

The above-described issues in SDG 5 are reflected in chapter 3.3, which, by modifying the concept of job-sharing, promotes a faster and easier return to the labour market for women with young children based on their free choice, taking into account the individual needs of children and families. At the same time, it aims to address the long-standing problem in the Czech Republic of reconciling work and personal life by seeking to increase capacity in childcare services and, above all, to support the offer of flexible work. Furthermore, chapter 3.3.1 responds to the issue of gender in general in the sense of the adoption of the *Gender Equality Strategy 2021–2030*, which is based on the 2030 Agenda and its objectives are fully in line with the objectives of SDG 5.

SDG 10 Reduced inequalities

Income inequality is low. The coefficient of income inequality (S80/S20) has long been one of the lowest in Europe, and the Czech Republic's position is better than the EU average.⁵⁵ The incomes of the bottom 40% of the population have also remained above the EU average since 2014.⁵⁶ Social transfers and minimum wage increases have helped (see SDG 1). In terms of social effects, it is also necessary to take into account inequalities in wealth. Estimates of wealth inequality show a contrast between low income inequality and higher wealth inequality in the Czech Republic. The Czech Republic's GINI coefficient was 77.7 in 2020, above the EU average.⁵⁷ Within the wealth of the richest 1%, there is an estimated high concentration of wealth in the top of the distribution (up to 0.001%).

SDG 11 Sustainable cities and communities

The Czech Republic has long been one of the worst countries in Europe in terms of housing affordability. In the Czech Republic, up to 350 000 households are burdened by excessive housing costs. The worst off are the capital city of Prague (19%) and the Ústí nad Labem and Karlovy Vary regions (16%), with high prices being the main reason in the case of Prague, and low incomes caused the situation in the two region.⁵⁸ The beginning of the pandemic brought a short-term decline in the price

⁵² According to Eurostat, the average wage gap measured as the unadjusted gender pay gap (GPG) in the Czech Republic was 20.1% in 2018, 19.2% in 2019 and 16.4% in 2020. Adjusted GPG stagnates around 10% in the long term. For more information, see introduction to chapter 3.3 Fairness above.

⁵³ <https://eige.europa.eu/gender-equality-index/2021/CZ>

⁵⁴ https://ec.europa.eu/eurostat/databrowser/view/sdg_05_50/default/table?lang=en

⁵⁵ https://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=ilc_di11&lang=en

⁵⁶ https://ec.europa.eu/eurostat/databrowser/view/sdg_10_50/default/table?lang=en

⁵⁷ Credit Suisse, Global Wealth Report, or [Global Wealth Databook](#), p. 115.

⁵⁸ For Housing (2021) Housing Exclusion Report. Available at <https://socialnibydleni.org/wp-content/uploads/2021/08/Bydleni-jako-problem-2021.pdf>

of renting flats, especially in Prague, where rental prices fell by up to 4.3% in the second half of 2020.⁵⁹ This was due to, for example, the introduction of remote learning, the reduction in tourism, and thus a decline in interest in short-term rentals. The one-off reduction then led to further increases in 2021 and 2022. As of February 2022, we are already registering a year-on-year increase in average rental prices in most major cities. Jihlava, Plzeň, Olomouc or Ostrava are exceptions to this.

The planned measures listed in particular in chapter 3.3.4 *Availability of housing* (providing housing support to households at risk of poverty, housing support, social housing, equal access to housing, etc.) and 3.3.3 *Implementation of the European Pillar of Social Rights – Principle 19* should have a positive impact on the issue of housing affordability and rental prices.

Cross-cutting SDGs: Digital transformation, productivity, macroeconomic stability

SDG 4 Quality education

Over the past five years, significant systemic changes have taken place in the area of the principle of inclusive education, which have contributed to improving the education of pupils with special educational needs. There has been an increase in funding for inclusive education, which amounted to approximately CZK 5.4 billion for 2018. The area of inclusive education was modified in 2016 so that, for example, pupils are entitled to free support measures. Compared to OECD countries, the educational performance of pupils in the Czech Republic is more dependent on socio-economic background⁶⁰ and gender role constraints also play a major role in some stages of the educational process. In 2018, the proportion of five-year-olds in formal education was 93.8%, slightly above the EU average.⁶¹

Within the framework of SDG 4, the Czech Republic is particularly addressing inequalities in education. Chapter 3.3.1 responds to this problem by including activities in relation to the gender aspect of inequality in education and by promoting a higher representation of women in science and IT, which would lead, among other things, to a lower income inequality between men and women. Another major theme in SDG 4 is inclusion, which is addressed in chapter 3.3 by improving the quality and inclusiveness of education and teacher training systems.

SDG 8 Decent work and economic growth

Despite a 6.1% drop in GDP in the pandemic year 2020⁶², the Czech economy started to rise again in 2021 – Czech GDP growth was 3.6% in 2021⁶³, which is slower than the EU average.⁶⁴ However, the pandemic downturn did not manifest itself as fundamentally as predicted in the area of employment, where the Czech Republic has long been above the EU average. This may have been both due to the good initial position of the labour market and to the fact that labour demand fell during the lockdown.⁶⁵

⁵⁹ Deloitte (2021) Analysis of rental housing in Prague. Available at https://www.praha.eu/file/3338808/Deloitte_MHMP_Analyza_najemneho_v1_2021_08.pdf

⁶⁰ PISA (2018) The OECD Programme for International Student Assessment.

⁶¹ <https://ec.europa.eu/eurostat/documents/3217494/12878705/KS-03-21-096-EN-N.pdf/8f9812e6-1aaa-7823-928f-03d8dd74df4f?t=1623741433852>

⁶² Eurostat (2022). [Real GDP per capita](#).

⁶³ CZSO (2022). GDP, National accounts. https://www.czso.cz/csu/czso/hdp_narodni_ucty

⁶⁴ Tradingeconomics.com (2022). European Union GDP Annual Growth Rate. <https://tradingeconomics.com/european-union/gdp-annual-growth-rate>

⁶⁵ CNB (2021). Covid on the Czech labour market. https://www.cnb.cz/cs/o_cnb/cnblog/Covid-na-ceskem-trhu-prace/

For 2021, the employment rate was 75%, with 81.8 for men and 67.8 for women.⁶⁶ However, the proportion of young people (aged between 15 and 29) who are neither in education nor employment has risen in recent years; according to Eurostat data, it was 11% in 2020.⁶⁷ On the other hand, the CZSO data record a decline in the economically inactive population, which is mainly due to the return of women to the labour market and an increase in the number of employed people in the 45–49 age group.⁶⁸

Themes related to promoting economic growth appear throughout the NDP. They are most prominently represented in chapter 3.2.1 *Digital transformation* in support of certification reform, promoting entrepreneurship and internationalisation. Chapter 3.3.1 *Education and the labour market*, focusing on the development of the retraining system, and chapter 3.3.3 *Implementation of the European Pillar of Social Rights*, whose principles support many overlapping aspects of employment policy to create and promote decent working conditions, respond to employment issues. At the aggregate level, economic growth is also related to the promotion of macroeconomic stability (see chapter 3.4).

SDG 9 Industry, Innovation and Infrastructure

Improving transport infrastructure, especially in the context of digital and green transition, is a major challenge for the Czech Republic, also in view of the stable high share of public passenger transport (bus and rail network) of around 26% of total passenger transport.⁶⁹ The Czech Republic performs similarly in the transport of goods by rail and waterways.⁷⁰ However, investment should also be directed towards the introduction of digital infrastructure and technology development. Reducing regional inequalities can also help. While the share of households with VHCN (very high capacity networks) including high-speed internet coverage is 33% in 2020, almost double the 2015 figure, it is still well below the EU average (59.3%).⁷¹ Spending on science and research has also been growing over the long term, but it is still well behind the EU average. In 2020, the spending will account for 1.99% of GDP compared to the EU average of 2.32%.⁷² Although the share of investment in GDP in the Czech Republic is stable, the share of R&D expenditure from the State budget is declining.⁷³

Innovation and the dual transition are key issues for SDG 9, which are the subject of chapter 3.1.1 *Physical infrastructure and green transformation*, chapter 3.2.1 *Digital transformation* and chapter 3.2.3 *Research, development and innovation*. Measures under Physical infrastructure focus on the development of low-emission mobility and support for rail transport; communication and information infrastructure is included in the investments in the *Digital high-capacity networks* component. Component *Support for research and development in enterprises and deployment of innovations into enterprise practice* aims to strengthen the resilience of the economy by increasing the competitiveness and flexibility of enterprises, especially small and medium-sized enterprises, through digitisation of processes and improved co-operation within the innovation ecosystem of the Czech Republic.

SDG 16 Peace, Justice and Strong Institutions

⁶⁶ CZSO (2022). Employment and unemployment according to the Labour Force Sample Survey (LFSS). <https://www.czso.cz/csu/czso/cr/zamestnanost-a-nezamestnanost-podle-vysledku-vsps-3-ctvrtleti-2021>

⁶⁷ Eurostat (2022). [Young people neither in employment nor in education and training \(NEET\), by citizenship.](#)

⁶⁸ CZSO (2022). [Employment and unemployment according to the Labour Force Sample Survey \(LFSS\).](#)

⁶⁹ Eurostat (2022). [Share of buses and trains in total passenger transport.](#)

⁷⁰ Eurostat (2022). [Share of rail and inland waterways in total freight transport.](#)

⁷¹ Eurostat (2022). [High-speed internet coverage, by type of area.](#)

⁷² Eurostat (2022). [Gross domestic expenditure on R&D by sector.](#)

⁷³ CZSO (2021). [State budget expenditure on research and development.](#)

Three structural problems undermine the long-term effectiveness of governance, or more narrowly the effectiveness of policies: First, the overtly narrow focus and lack of horizontal coordination. Second, gaps in the argumentation and data-based approach (evidence-informed policy). Third, the Czech public administration has a long-standing problem with innovation, both in policies themselves and in the mechanisms of their own functioning.⁷⁴ The thematic weakness of the Czech Republic is the digitisation of public administration. The DESI index 2021 for the Czech Republic is 47.4, below the EU average.⁷⁵ Compared to the EU average, the position of the Czech Republic is even relatively worse in the Digital Public Services component.⁷⁶ In the area fairness of governance, the Czech Republic is rather stagnant. The perception of the independence of the judicial system is below the EU average and while the perception of independence has been improving in previous years, it has fallen again in 2021.⁷⁷ In the composite Corruption Perception Index, compiled on the basis of Transparency International's expert data, the Czech Republic has improved compared to 2012, but in the long term it is rather stagnant and below the EU average.⁷⁸

To a greater extent, the planned actions listed in subchapter 3.2.1 (components *Digital services for citizens and businesses, Digital public administration systems, Reforms and public investment beyond the NPO*) respond to the problems in the implementation of SDG 16 in relation to digitisation. The *Anti-corruption reforms, Increasing the efficiency of public administration and Reforms and Reforms and public investment beyond the NPO* components in subchapter 3.2.2 focus on reducing corruption risk and strengthening evidence-informed policy. Reforms are less responsive to the problems of overtly narrow focus and policy innovation.

SDG 17 Partnerships for the goals

Measuring progress on SDG 17 is problematic due to the lack of data and the global nature of some partial goals. On the domestic front, the Czech Republic has been successful in matters related to taxation, especially through the involvement of national experts in the activities of international organisations and increasing the share of domestic government spending financed by tax revenues. The share of environmental taxes in total tax revenues in the Czech Republic is in line with the EU average. Despite expansionary fiscal policy in recent years, general government debt has been relatively low in the long term. The Czech Republic has also made significant progress in the area of national support for private investment in sustainable development in developing countries. The involvement of the non-profit sector in development cooperation is traditionally high, including public support for partnerships in this area. On the other hand, the commitment to a minimum level of official development assistance of 0.33% of GDP is particularly problematic, as the Czech Republic has long failed to meet it and has one of the lowest expenditure levels in the EU in this area. The necessary measures have not yet been implemented in the area of policy coherence for sustainable development.

The SDG 17 themes are partly addressed by the investments listed in chapters 3.2.2 (reforms and public investment beyond the NRP – regulatory impact assessment) and 3.4.3 (identifying and potentially removing non-systemic tax exemptions, ensuring better measures against transfer pricing abuse and illegal optimisation practices and tax evasion).

⁷⁴ MoE (2021) Report on Quality of Life and its Sustainability, MoI (2019) Customer Oriented Public Administration 2030 – Analytical Part, MoI (2022) Analytical Assessment of the Public Policy Innovation System

⁷⁵ <https://digital-strategy.ec.europa.eu/en/policies/countries-digitisation-performance>

⁷⁶ <https://digital-strategy.ec.europa.eu/en/policies/desi-digital-public-services>

⁷⁷ https://ec.europa.eu/eurostat/databrowser/view/sdg_16_40/default/table?lang=en

⁷⁸ <https://www.transparency.org/en/cpi/2021>

5. Institutional process and stakeholder involvement

The 2022 European Semester cycle

Instructions for the European Semester 2022 were presented by the European Commission (EC) in the framework of the *Annual Sustainable Growth Survey 2022* (ASGS) published as part of the Autumn Package on 24 November 2021. The two processes (the European Semester and the implementation of the RRF) should be internally linked and every effort should be made to avoid duplicity. In this context, the EC has called for the NRPs to be submitted by the EU Member States (MS) by the end of April to also be used for the bi-annual reporting of progress under the RRF. The EC also stressed the importance of mainstreaming the *UN Sustainable Development Goals* (SDGs) agenda, as well as the importance of involving economic and social partners and other stakeholders.

The EC will publish **Country Reports** (CRs) as part of the Spring Package of the European Semester 2022. The CRs will assess how the MS are implementing recovery and resilience plans, for which they will also use data from common indicators and the RRF scoreboard, and data on social spending within the RRF. The CRs will also include an assessment of progress in implementing the European Pillar of Social Rights (EPSR). The Spring Package will also include draft **Country Specific Recommendations** (CSRs) from the Council. The CSRs will cover the key issues identified in the CRs and will also include recommendations on the budgetary situation of the MS, as foreseen in the Stability and Growth Pact.

Preparation of the NRP 2022

As in previous years, the NRP was prepared by the Office of the Government – Section for European Affairs in co-operation with the relevant managers. A draft of the NRP was provided to the economic and social partners and other actors for two rounds of comments. The working version of the NRP was also discussed in roundtables organised by the Office of the Government on 29 and 30 March 2022. The economic and social partners were informed about the interim status of the preparation of the NRP at the meetings of the Council of Economic and Social Agreement of the Czech Republic (RHSD) working team for the EU on 18 March 2022 and 22 April 2022. The NRP was discussed by the Committee for EU at working level on 12 April 2022.

Following the silent procedure comments in the DAP database, the NRP was discussed and approved by the **Committee for EU at Government level on 27 April 2022**.

6. EU funds

Key milestones, current status of preparation and negotiation of the Partnership Agreement and the 2021–2027 programmes

The Czech Republic has long been one of the most advanced countries in the preparation of the 2021–2027 programming period within the EU and it is repeatedly praised by the EC for the level of elaboration and discussion of the relevant documents.

Nevertheless, the start of drawing in the new period is delayed. A key factor that led to the delay of the whole preparation was the lengthy negotiation of legislation at EU level. The pandemic in particular has caused delays, as has the urgency of discussing the newly proposed European measures to tackle it (EU REACT, Recovery and Resilience Facility). **Therefore, the legislation for Cohesion Policy 2021–2027 was only approved at the end of June 2021.**

The preparation of the Partnership Agreement (PA) and programmes has passed key milestones:

- 02/2019 – Government approval of the definition of programmes and managing authorities in the Czech Republic;
- 04/2019 – start of negotiations with the EC – since then a series of negotiations, several drafts of the PA and EC programmes and the settlement of several sets of EC comments;
- 12/2019 – presentation of the first public draft of the PA to the EC and the Czech public (public consultation);
- 10/2020 – submission of the draft PA and programmes to the Government for information;
- 03/2021 – Government approval of the draft allocation of the Czech Republic among the programmes;
- 03/2021 – 04/2021 – informal interservice consultation within the EC for both the PA and programmes (comments from all relevant EC DGs);
- 04/2021 – 05/2021 – inter-ministerial comment procedure of the PA;
- 07/2021 – 09/2021 – Environmental Impact Assessment (EIA) of the PA;
- 27 September 2021 – Government approval of the PA;
- 4 October 2021 – Government approval of the OP E+, OP JAK, OP TAC, OP E and OP TA programmes;
- 18 – 19 October 2021 – the last informal dialogue with EC representatives in Prague;
- 5 November 2021 – Government approval of the IROP and OP T programmes;
- 17 – 19 November 2021 – discussion of open PA issues with EC representatives in Brussels;

- **16 December 2021 – submission of the PA to the EC for formal negotiation and approval** (according to the General Regulation within four months of submission). The Czech Republic entered the formal dialogue without any major comments from the EC that could not be resolved during the informal discussions.
- 20 – 22 December 2021 – submission of three programmes (OP JAK, OP TA and OP TAC) to the EC for formal negotiation and approval (according to the general regulation within five months after submission);
- 5 January 2022 – submission of the OP E+ to the EC for formal negotiation and approval.
- 17 January – 16 March 2022 – submission of the OP E, OP T, IROP OP R and OP JT programmes.

Announcement of the first calls

Due to the delay in the start of the implementation of the programming period 2021–2027, there is a need to allow managing authorities to launch calls in certain areas before the official approval of the programmes by the EC. These include in particular the templates for nursery, primary, secondary schools and tertiary vocational school in the OP JAK (the need to implement the project before the start of the school year 2022/2023) and the replacement of boilers for legislative reasons⁷⁹ in the OP E.

Therefore, the MoRD – National Coordination Authority has methodically set out the criteria and conditions that must be met in order to avoid potential risks. This is especially a possible negative impact on the State budget in case of ineligibility of expenditure, or possible legal action by applicants, e.g. in case of cancellation of the call due to non-approval of the area by the EC. The methodological opinion sets out possible procedures that managing authorities can use to reduce or eliminate these risks.

Single national framework of rules and procedures

The single national framework of rules and procedures for the programming period 2021–2027 has been successfully completed with the publication of the latest methodological guidelines (Guidance on Indicators, Evaluation and Publicity; and Guidance on Common Processes).

Managing authorities now have all the necessary documentation to produce their managing documentation. Implementation and procedural documents are now being prepared at the level of the managing authorities.

Complementarity of EU funds and the National Recovery Plan

The complementarity of EU funds and the National Recovery Plan is defined at the highest levels as follows:

⁷⁹ On 1 September 2022, the Air Protection Act will come into force, which will prohibit the operation of boilers of class 1 and 2 according to ČSN EN 303-5. Boilers must be replaced by this date. If a property owner at least applies for a subsidy to replace the boiler by 1 September 2022, they can avoid a fine of up to CZK 50 000.

Policy Objectives (POs) of the EU Funds	Pillars of the National Recovery Plan
CP 1	Digital transformation and Institutions, regulation and business support in response to COVID-19
CP 2 and CP 3	Physical infrastructure and green transformation
CP 4	Education and the labour market and Population health and resilience
Just Transition Fund	Digital transformation, Physical infrastructure and green transition, Education and labour market, Institutions and regulation and business support in response to COVID-19, Research, development and innovation

Coordination takes place in the working teams, platforms and monitoring committees of the respective programmes and at the level of the NPO Committee and the NPO Steering Committee. Representatives of responsible ministries, government advisory bodies, social and local partners, professional associations, the non-profit sector and others participate in these platforms.