

**Report from the Czech Republic in accordance
with Article 9 of the SGEI Decision and
paragraph 62 of the SGEI Framework**

Office for the Protection of Competition (ÚOHS)

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Introduction

Commission Decision 2012/21/EU of 20 December 2011 on the application of Article 106(2) of the Treaty on the Functioning of the European Union to State aid in the form of public service compensation granted to certain undertakings entrusted with the operation of services of general economic interest (SGEI Decision) is applied in the Czech Republic at all levels of public administration. It is used most often at regional or local level, which is associated with ensuring the compatibility of support for those organisations that are regional or local bodies founded or set up to provide services of public interest for citizens within their catchment area.

For the first time, the report includes information on the implementation of the **Communication from the Commission - European Union framework** for State aid in the form of public service compensation ('the SGEI Framework'), following two decisions issued by the European Commission in 2018¹.

Report structure

The report is divided into five parts. Part one contains an overview of the aggregate expenditure granted in the Czech Republic under the SGEI Decision and the SGEI Framework in the individual years of the period under review. The second part is more extensive and contains information on the implementation of the SGEI Decision in the individual sectors, with a section devoted to each. This part is therefore divided into a total of eleven sections describing the situation in the following sectors: hospitals (1); social services – health and long term care (2); social services – childcare (3); social services – access to and reintegration into the labour market (4); social services – social housing (5); social services – care and social inclusion of vulnerable groups (6); social services – other (7); airports and ports (8); and compensation not exceeding EUR 15 million: energy (9); compensation not exceeding EUR 15 million: culture (10); other sectors (11).

The third part provides information on the application of the SGEI Framework in two sectors – postal services (1) and eDelivery (2).

The report does not contain sectors that were not supported at all on the basis of the SGEI Decision or the SGEI Framework in the period under review².

Nor does the report contain data on compensation for air or maritime links to islands, in view of the Czech Republic's geographical location, which in itself excludes any potential application in this area.

¹ See Commission Decisions in Joined Cases SA.45281 and SA.44859 and in Case SA.47293 – for details see the relevant section of the report.

² The SGEI Decision concerns the following sectors: Postal services, waste collection, water supply, financial services; in the case of the SGEI Framework, the following sectors are not included: Energy, waste collection, water supply, airports and ports, culture, financial services.

The following two parts summarise the statements obtained from compensation grantors concerning complaints submitted to them (4) and various issues related to the application of the SGEI Decision and the SGEI Framework (5).

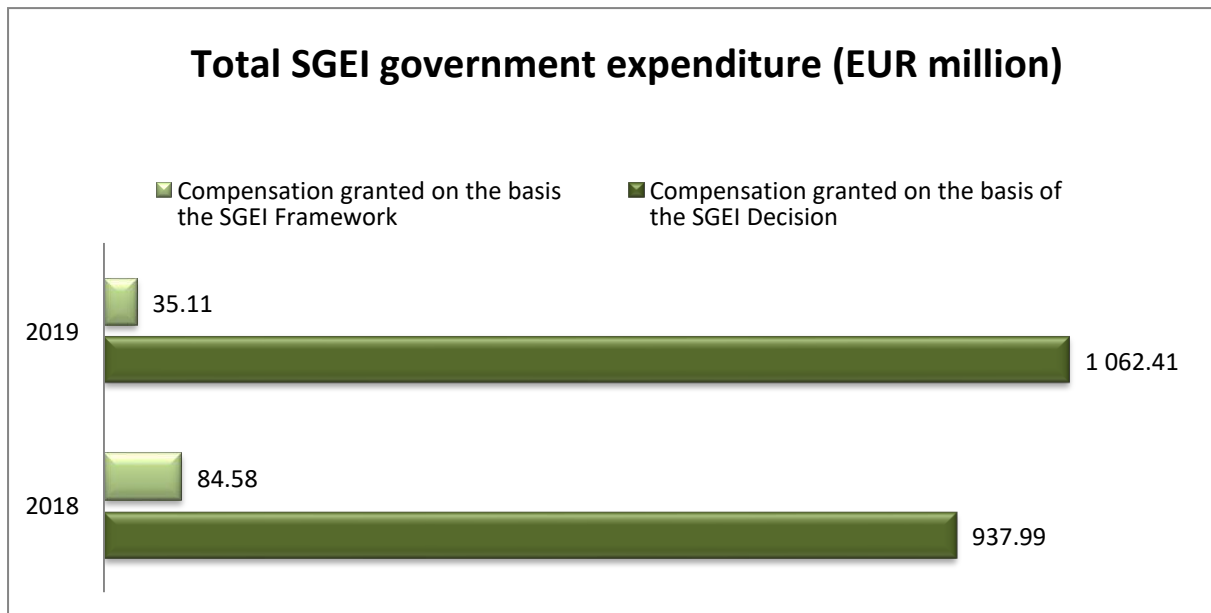
For all parts of the report an exchange rate of **CZK 26.50 to the euro** was applied for the purposes of establishing the amount of aid granted in EUR.

The report respects the format set out in the Commission letter of 29 January 2020.

1. Expenditure overview

Total SGEI government expenditure (EUR million)		
	2018	2019
Compensation for Services of General Economic Interest (1+2)	1 022.57	1 097.52
(1) Compensation granted on the basis of the SGEI Decision	937.99	1 062.41
(2) Compensation granted on the basis of the SGEI Framework	84.58	35.11

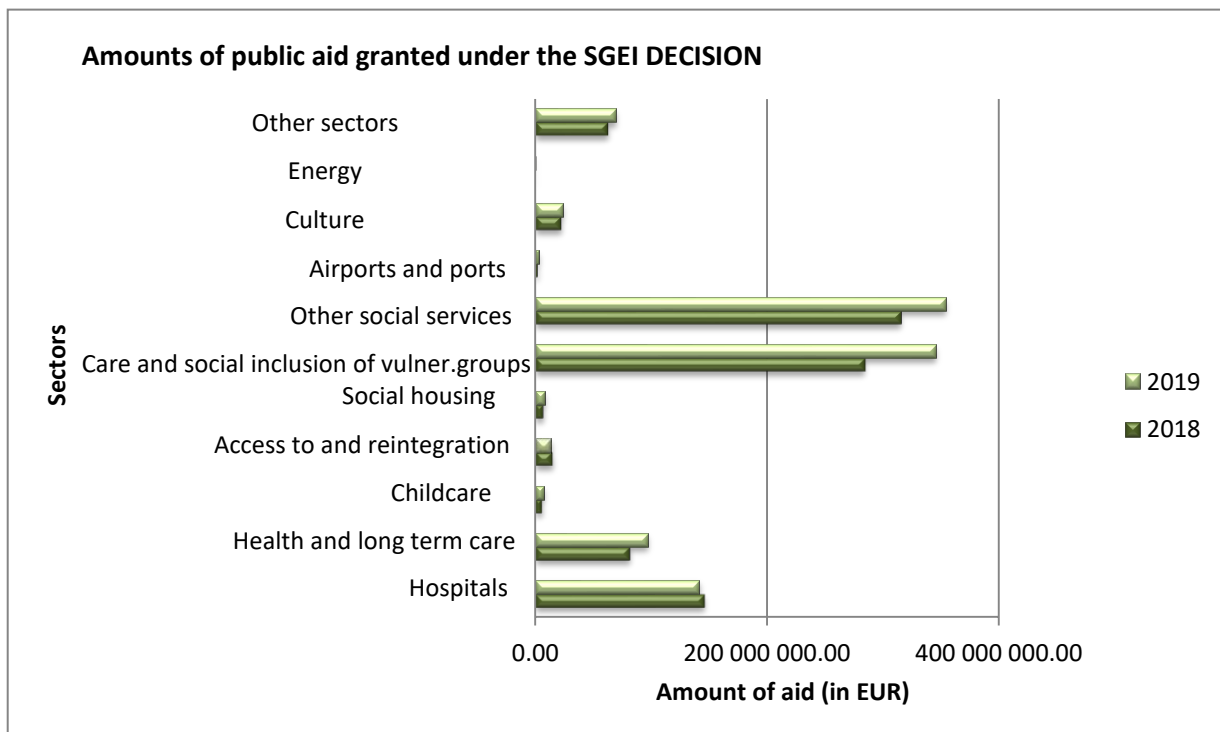
Table 1: Total SGEI government expenditure by legal basis (EUR million)



Graph 1: Total SGEI government expenditure by legal basis (EUR million)

Sectors	Amount of aid (in EUR)	
	2018	2019
Hospitals	145 353 284.19	141 245 610.24
Health and long term care	81 124 294.93	96 792 241.53
Childcare	5 489 240.95	6 977 247.90
Access to and reintegration into the labour market	14 538 100.96	13 549 988.26
Social housing	6 527 493.58	8 079 115.47
Care and social inclusion of vulnerable groups	283 607 402.32	345 393 035.54
Other social services	314 914 285.88	353 877 336.23
Airports and ports	1 943 636.99	3 136 171.24
Culture	22 020 292.25	23 643 368.27
Energy	165 169.81	184 037.74
Other sectors Compensation not exceeding an annual amount of EUR 15 million ³	62 310 862.99	69 535 066.59

Table 2: Amounts of public aid granted under the SGEI Decision (in EUR) in individual sectors in 2018 and 2019



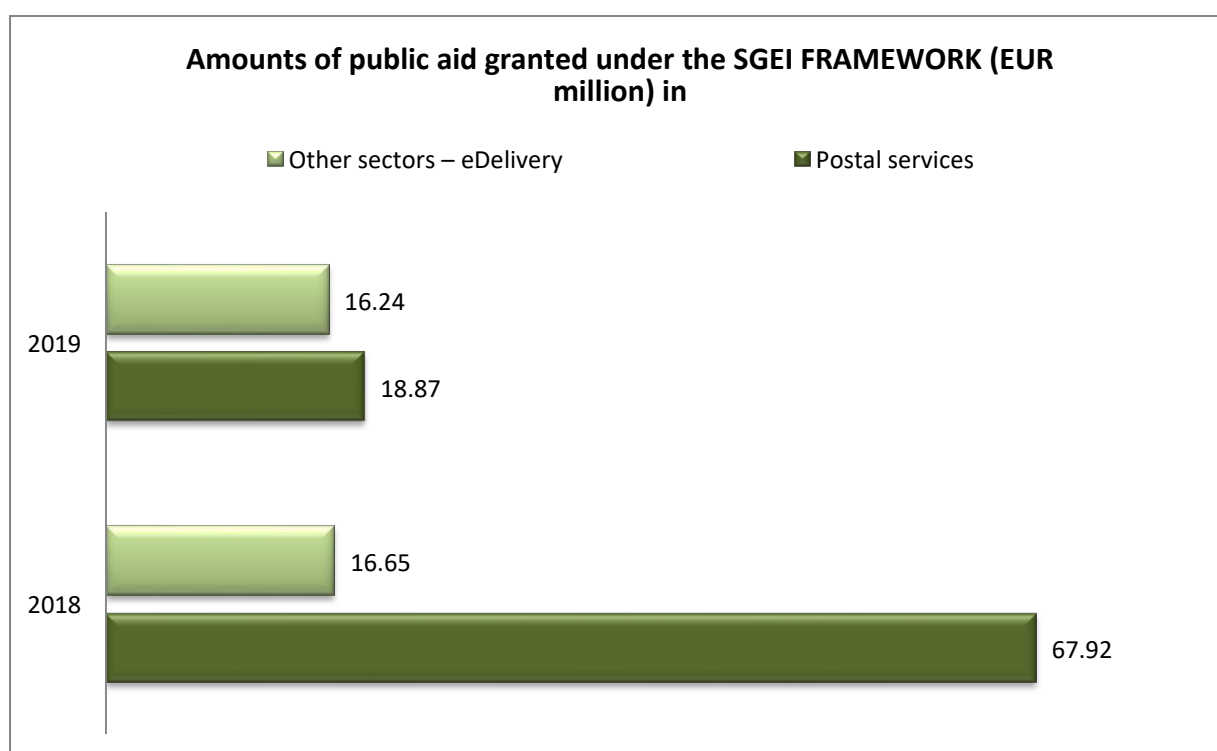
Graph 2: Amounts of public aid granted under the SGEI DECISION (in EUR) in individual sectors in 2018 and 2019

³ For other sectors not set out in the table no compensation was granted in the period under review.

Amounts of public aid granted under the SGEI FRAMEWORK (in EUR) in individual sectors in 2018 and 2019

Sectors	Amount of aid (in EUR)	
	2018	2019
Postal services	67 924 528.30	18 867 924.53
Other sectors – eDelivery	16 652 699.55	16 243 750.11

Table 3: Amounts of public aid granted under the SGEI FRAMEWORK (in EUR) in individual sectors in 2018 and 2019



Graph 3: Amounts of public aid granted under the SGEI FRAMEWORK (in EUR) in individual sectors in 2018 and 2019

Amount of aid granted under the SGEI DECISION (EUR million) according to aid grantor	
Total amount of aid granted (EUR million), i.e. A+B+C	
2018	2019
937.99	1 062.41
A: Total amount of aid (EUR million) paid by national <i>central</i> authorities	
2018	2019
121.40	150.48
B: Total amount of aid (EUR million) paid by <i>regional</i> authorities	
2018	2019
743.53	829.55
C: Total amount of aid (EUR million) paid by <i>local</i> authorities	
2018	2019
73.06	82.38

Table 4: Amount of aid granted under the SGEI DECISION (EUR million) according to aid grantor

2. Description of the 2012 SGEI Decision application

- 2.1 Hospitals**
- 2.2 Social services – health and long term care**
- 2.3 Social services – childcare**
- 2.4 Social services – access and reintegration into the labour market**
- 2.5 Social services – social housing**
- 2.6 Social services - care and social inclusion of vulnerable groups**
- 2.7 Social services – other**
- 2.8 Airports and ports**
- 2.9 Compensation not exceeding EUR 15 million - ENERGY**
- 2.10 Compensation not exceeding EUR 15 million - CULTURE**
- 2.11 Compensation not exceeding EUR 15 million - OTHER SECTORS**

2.1 Hospitals

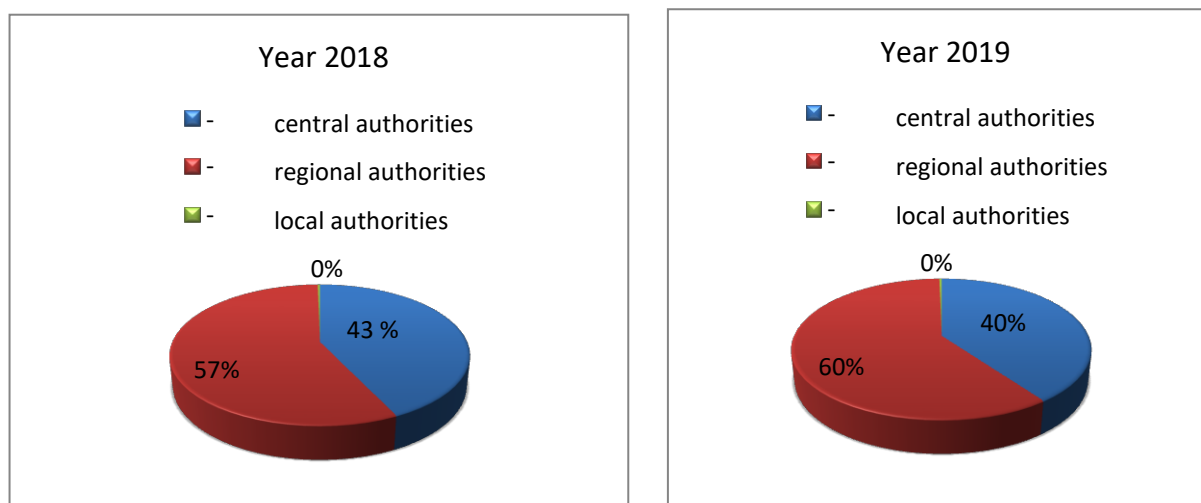
<p style="text-align: center;">(1) HOSPITALS</p> <p style="text-align: center;">Clear and comprehensive description of how the respective services are organised in the Czech Republic</p>
<p>Contents of services entrusted as SGEI:</p>
<p> out-patient care and in-patient care social services that can be provided by in-patient health care facilities medical emergency service emergency service in outpatients' departments dental emergency service emergency pharmaceutical service occupational medicine forensic medicine follow-up health care nuclear medicine and radiodiagnostics physiotherapy endoscopic treatment emergency admissions nursing care magnetic resonance imaging follow-up intensive care oncology thoracic surgery institutional and out-patient primary and specialised diagnostic care and medical treatment provision of library and information services of a scientific information centre, specialised libraries onco-gynaecology highly specialised cardiovascular care operation of the following departments and wards: neurology, radiotherapy, dermatology, ENT, orthopaedics, surgery ward, internal medicine ward, obstetrics and gynaecology, anaesthesiology-resuscitation, paediatrics and neonatal ward, psychiatric ward, hospice, follow-up care, multidisciplinary intensive care unit, oncology, urology, physiotherapy, healthcare transport service, clinical haematology and blood bank, infectious diseases unit, pulmonology, gastroenterology diagnostic radiology and imaging techniques pathology pneumology clinical laboratories healthcare maintenance and coordination activities, emergency telephone line, emergency medical first aid stations alcohol and drug addiction treatment centres post-mortem examination </p>
<p>(Typical) forms of entrustment:</p>

Contract (including a legal act agreeing on the entrustment of another entity) Memorandum of association Decision
Average duration of the entrustment (in years) and the proportion of entrustments that are longer than 10 years (in %):
4.9 years 0% (entrustment not given for a period longer than 10 years)
Exclusive or special rights:
Exclusive or special rights not given for the sector in question.
Aid instruments used (direct subsidies, guarantees, etc.):
subsidy non-financial support founder's contribution payment/direct payment increase of share capital assignment for non-financial consideration refundable financial aid
Typical compensation mechanism and methodology used (cost allocation / net avoided cost):
<i>Compensation mechanism:</i> In most cases the compensation mechanism was established on the basis of evidence provided of the costs actually incurred for a particular service, deducting any revenue associated with the service. In some cases there was advance settlement of compensation payments, including refunds of overpayments where appropriate. <i>Methodology used:</i> Cost allocation method
The arrangements for avoiding and recovering any overcompensation:
There are regular and ongoing checks throughout the duration of the commitment. Beneficiaries must keep separate accounts and return the amount exceeding net costs to the contracting authority.
How the transparency requirements for aid above 15 million euro are being complied with:

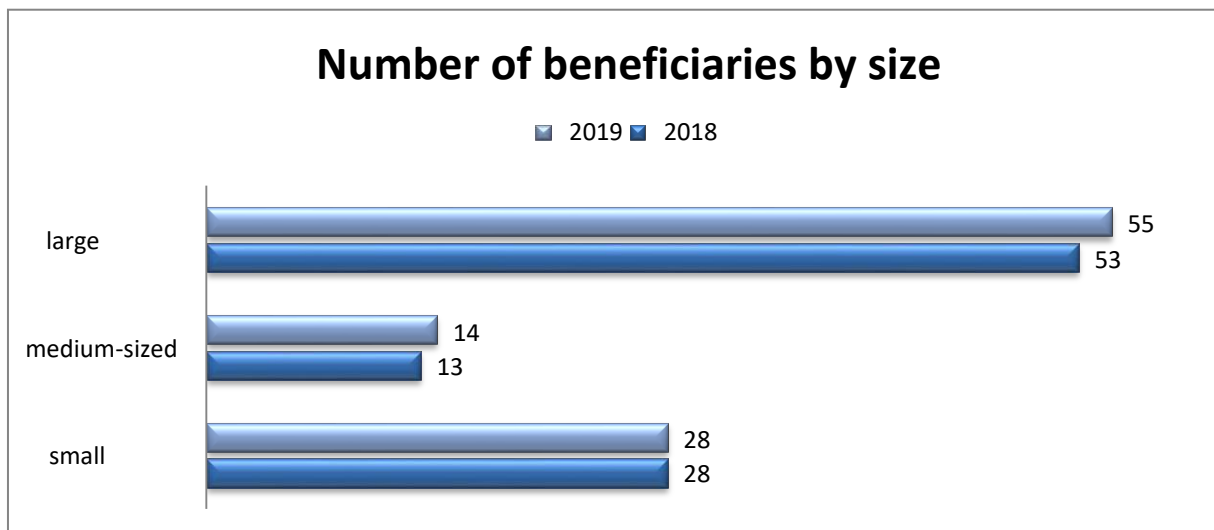
- such payment was granted on one occasion. The relevant contract on the provision of a public service and the conditions for granting the public service compensation is published in the 'register of contracts'. The 'register of contracts' information system serves, *inter alia*, for the publication of contracts that meet the criteria for mandatory disclosure pursuant to Act No 340/2015 on the register of contracts. It is mandatory to publish contracts within 30 days of their conclusion.

Hospitals		
<i>Reporting period</i>	<i>2018</i>	<i>2019</i>
<i>Amount of aid granted per aid grantor (EUR million)</i>		
- central authorities	62.38	56.55
- regional authorities	82.56	84.26
- local authorities	0.42	0.44
TOTAL AID	145.35	141.25
<i>Average aid amount (EUR million)</i>	<i>1.55</i>	<i>1.46</i>
<i>Number of beneficiaries by size</i>		
- small enterprise	28	28
- medium-sized enterprise	13	14
- large enterprise	53	55
Number of beneficiaries - total	94	97
<i>Share of expenditure per aid instrument (%)</i>		
subsidy	63.83	62.83
non-financial support	0.55	0.26
founder's contribution	11.43	17.90
repayment/direct payment	22.77	16.49
increase of share capital	0.12	0.15
assignment for no financial consideration	1.29	2.35
refundable financial aid	0.02	0.02

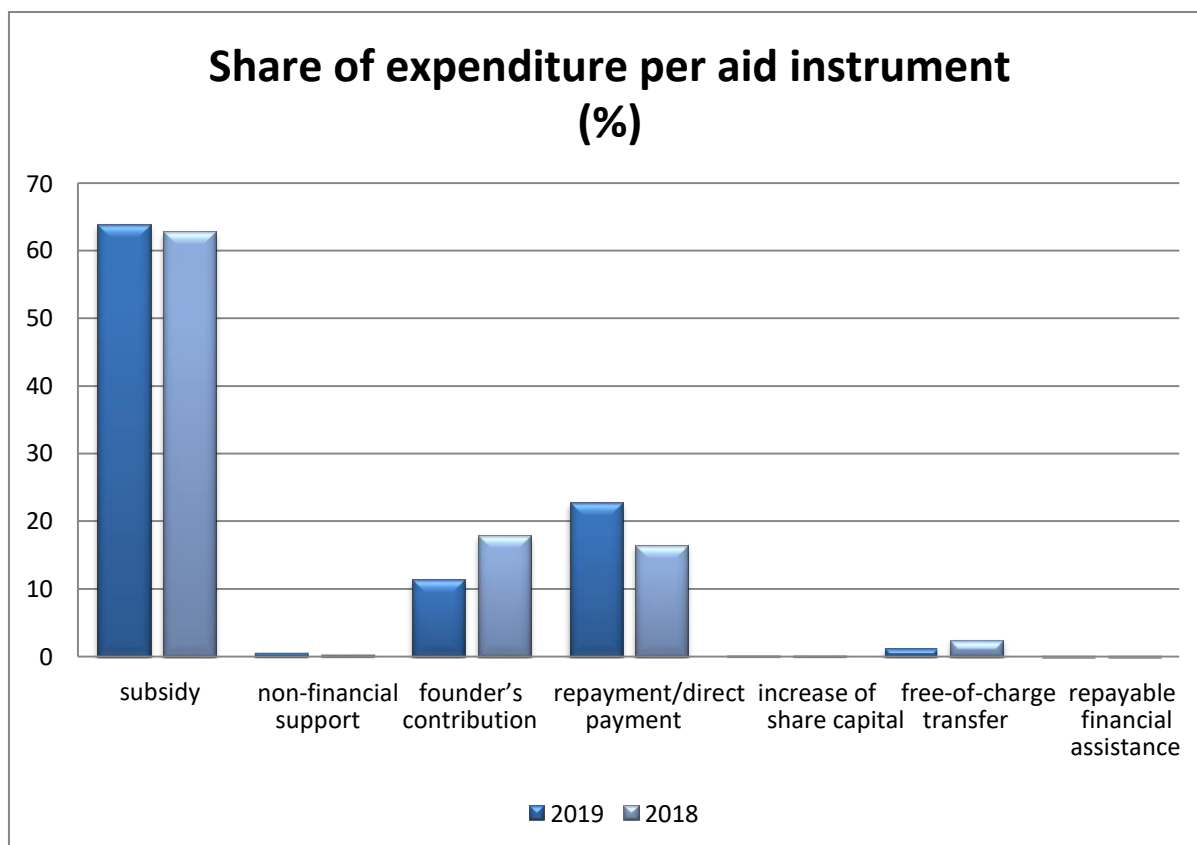
Table 5: Hospitals - amount of aid granted in 2018 and 2019



Graph 4: Hospitals - share of aid granted per aid grantor in 2018 and 2019 (%)



Graph 5: Hospitals - number of beneficiaries by size



Graph 6: Hospitals - share of expenditure per aid instrument (%)

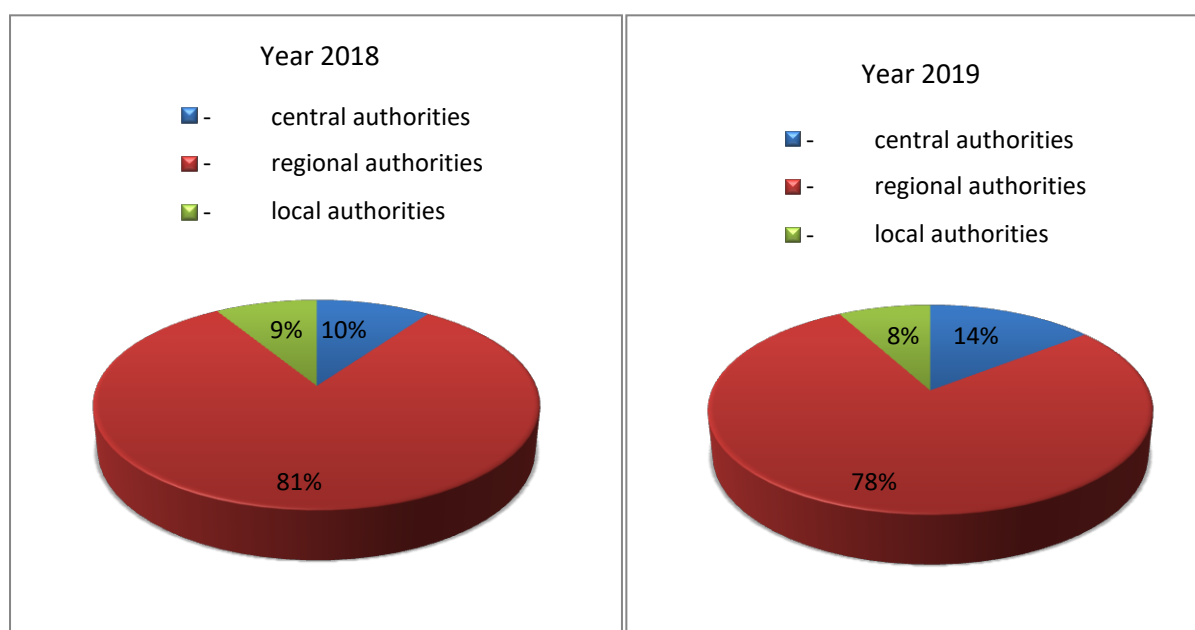
2.2 Social services – health and long term care

<p align="center">(2a) SOCIAL SERVICES – HEALTH AND LONG TERM CARE Clear and comprehensive description of how the respective services are organised in the Czech Republic</p>
<p>Contents of services entrusted as SGEI:</p>
<p>shelters day-care centres day-care centres for people with disabilities or for elderly people home hospices - respite care in the field home for people with disabilities elderly people's home home with a special regime hospice sheltered housing comprehensive care in hospices comprehensive social care, social services in the field mobile hospice community social and health services expert social advice respite care personal assistance other out-patient social services and social services in the field raising awareness about hospice care in the home palliative care day-care services advice centre for carers provision of mobile healthcare and hospice care leasing of rehabilitation and mobility aids social-activation services for elderly people and people with physical disabilities/cafes, artwork, operational costs social-therapy workshops social counselling social prevention social rehabilitation therapeutic communities therapeutic communities hospices in the field emergency care, emergency telephone line week-day centre</p>
<p>(Typical) forms of entrustment:</p>
<p>Contract/agreement (including a legal act agreeing on the entrustment of another entity) Memorandum of association Decision</p>

Average duration of the entrustment (in years) and the proportion of entrustments that are longer than 10 years (in %):
1.8 years 0% (entrustment not given for a period longer than 10 years)
Exclusive or special rights:
Exclusive or special rights not given for the sector in question.
Aid instruments used (direct subsidies, guarantees, etc.):
subsidy founder's contribution preferential rental rate
Typical compensation mechanism and methodology used (cost allocation / net avoided cost):
<p><i>Compensation mechanism:</i> In most cases the compensation mechanism was established on the basis of evidence provided of the costs actually incurred for a particular service, deducting any revenue associated with the service. In some cases there was advance settlement of compensation payments, including refunds of overpayments where appropriate.</p> <p><i>Methodology used:</i> Cost allocation method</p>
The arrangements for avoiding and recovering any overcompensation:
For the majority of contracting authorities, there is an emphasis on regular and continuous checks carried out for the entire duration of the commitment. It also stems from national legislation linked with financial and administrative checks. Beneficiaries are usually obliged to provide information about their use of public funds from another entity. Furthermore, beneficiaries must keep separate accounts and return the amount exceeding net costs to the contracting authority.
How the transparency requirements for aid above 15 million euro are being complied with:
- (no payments above 15 million euro were granted in the sector under review)

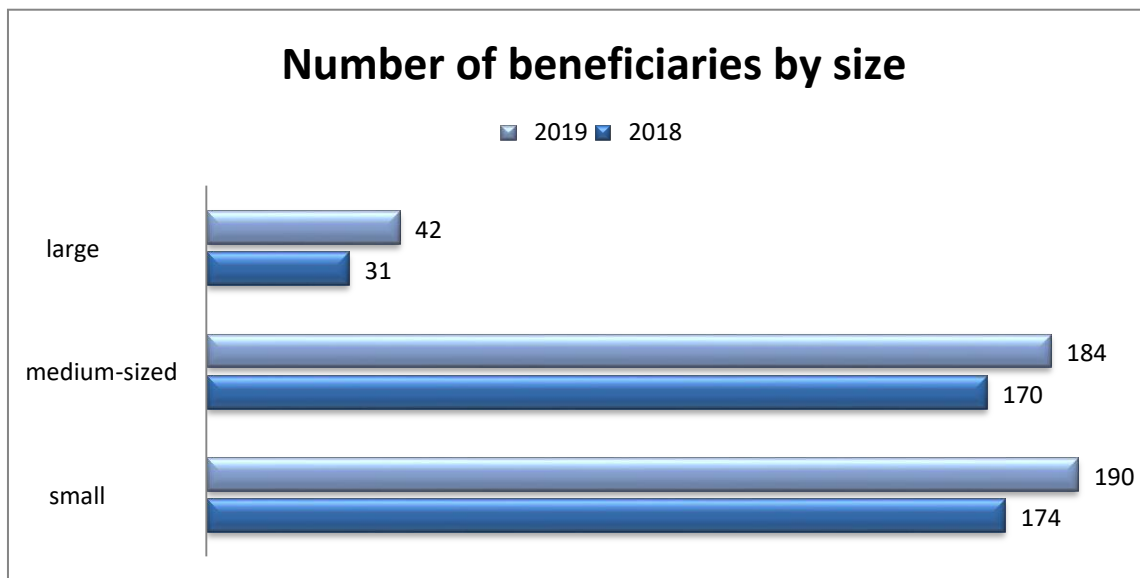
Social services – health and long term care		
Reporting period	2018	2019
Amount of aid granted per aid grantor (EUR million)		
- central authorities	8.00	14.00
- regional authorities	66.00	75.04
- local authorities	7.11	7.75
TOTAL AID	81.12	96.79
Average aid amount (EUR million)	0.20	0.24
Number of beneficiaries by size		
- small enterprise	174	190
- medium-sized enterprise	170	184
- large enterprise	31	42
Number of beneficiaries - total	375	416
Share of expenditure per aid instrument (%)		
subsidy	98.1	98.2
founder's contribution ⁴	1.9	1.8

Table 6: Social services – health and long term care: amount of aid granted in 2018 and 2019

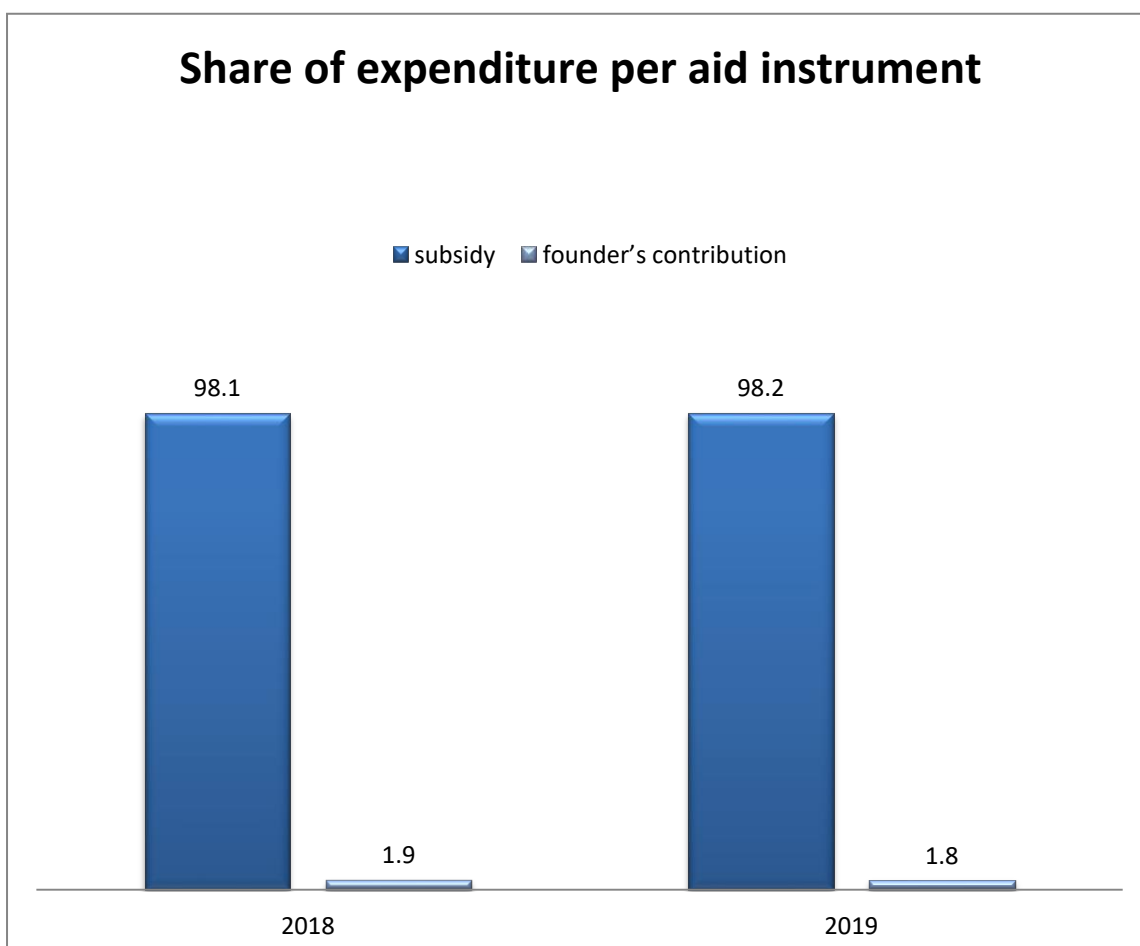


Graph 7: Social services – health and long-term care – amount of aid granted per aid grantor in 2018 and 2019 (%)

⁴ Preferential rental rate is included in the founder's contribution; in 2018 the aid amounted to EUR 748, while in 2019 it was EUR 3 949.



Graph 8: Social services – health and long term care: number of beneficiaries by size



Graph 9: Social services – health and long-term care: share of expenditure per aid instrument (%).

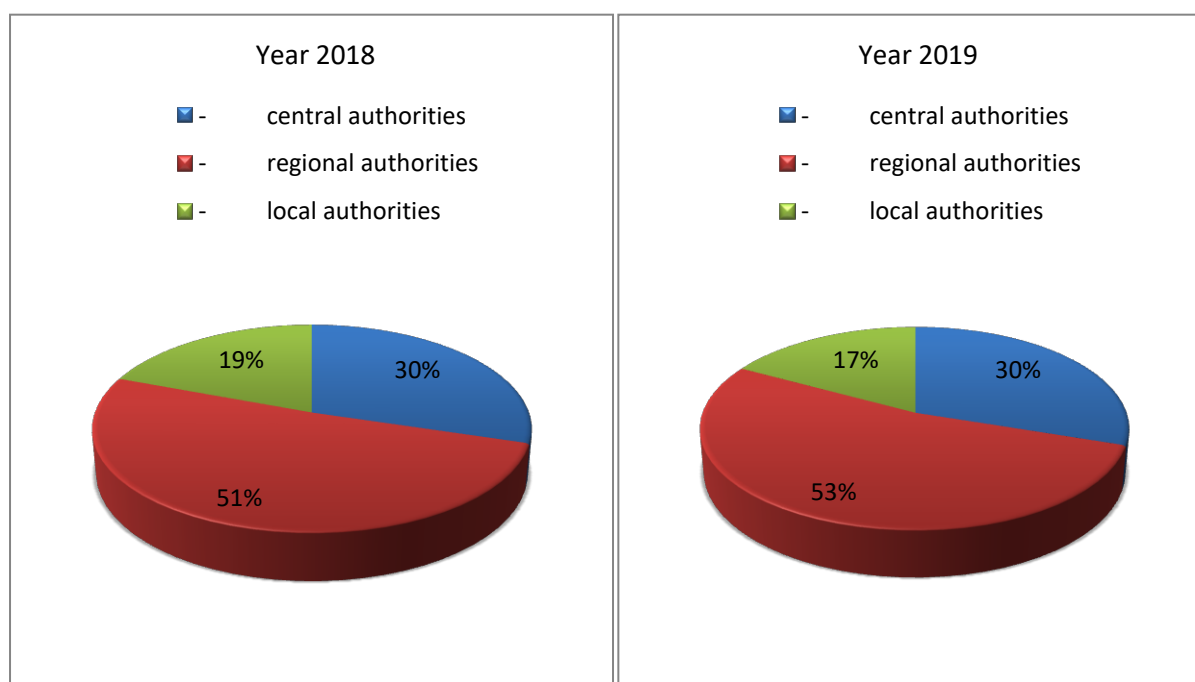
2.3 Social services – childcare

(2b) SOCIAL SERVICES – CHILDCARE Clear and comprehensive description of how the respective services are organised in the Czech Republic
Contents of services entrusted as SGEI:
support, mediation and therapy centre shelter for mothers with children children's homes day-care centres contact centres emergency assistance child-parent centres low-threshold facilities for children and young people professional counselling respite care personal assistance care for children and mothers support for families and children advisory services early care family centres - activation for families with children social activation services for families with children social rehabilitation emergency telephone line therapeutic programmes assistance services in the field programme in the field health and social care and education for socially or physically handicapped children, including institutional care
(Typical) forms of entrustment:
Contract (including a legal act on joining/granting the entrustment of another entity) Entrustment
Average duration of the entrustment (in years) and the proportion of entrustments that are longer than 10 years (in %):
1.89 years 0.5% (there is only one entrustment granted for 11 years. The service in the form of operating a low-threshold facility for children and young people demanded a large investment whose redemption will take more than 10 years.)
Exclusive or special rights:
Exclusive or special rights not given for the sector in question.

Aid instruments used (direct subsidies, guarantees, etc.):
subsidy founder's contribution preferential rental rate
Typical compensation mechanism and methodology used (cost allocation / net avoided cost):
<p><i>Compensation mechanism:</i> In most cases the compensation mechanism was established on the basis of evidence provided of the costs actually incurred for a particular service, deducting any revenue associated with the service. In some cases there was advance settlement of compensation payments, including refunds of overpayments where appropriate.</p> <p><i>Methodology used:</i> Cost allocation method</p>
The arrangements for avoiding and recovering any overcompensation:
For the majority of contracting authorities, there is an emphasis on regular and continuous checks carried out for the entire duration of the commitment. It also stems from national legislation linked with financial and administrative checks. Beneficiaries are usually obliged to provide information about their use of public funds from another entity. Furthermore, beneficiaries must keep separate accounts and return the amount exceeding net costs to the contracting authority.
How the transparency requirements for aid above 15 million euro are being complied with:
(no payments above 15 million euro were granted in the sector under review)

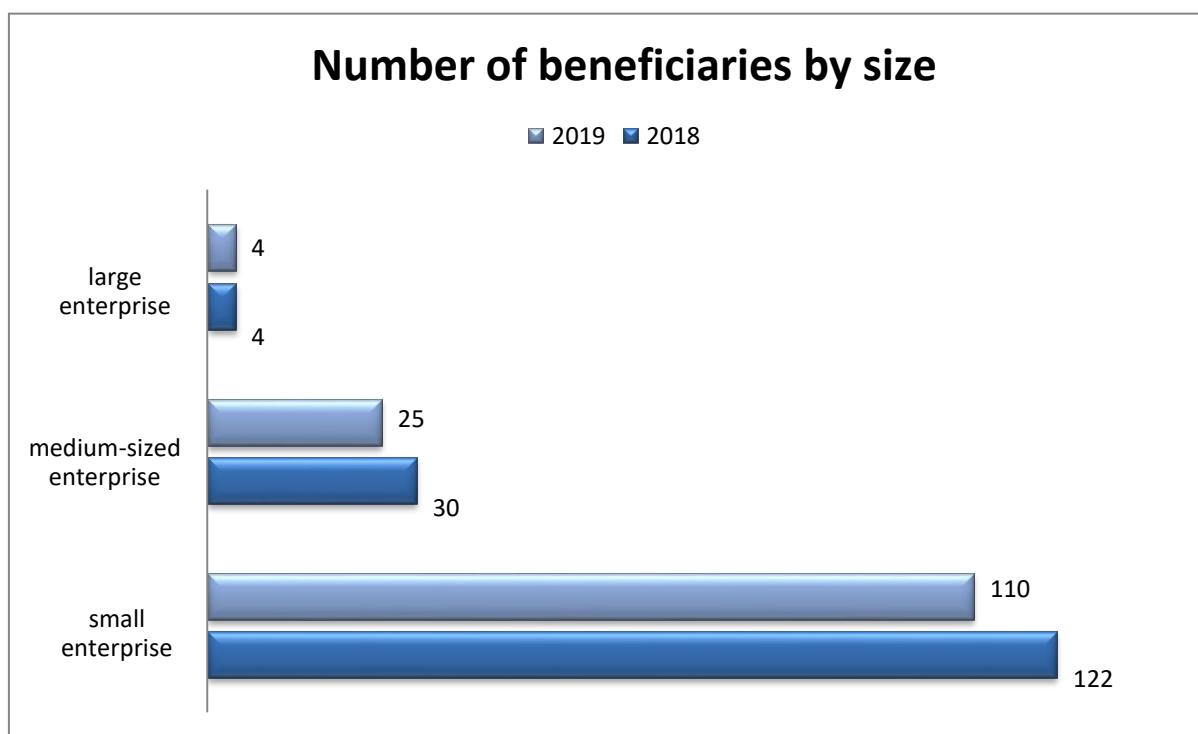
Social services – childcare		
<i>Reporting period</i>	<i>2018</i>	<i>2019</i>
<i>Amount of aid granted per aid grantor (EUR million)</i>		
- central authorities	1.63	2.10
- regional authorities	2.80	3.69
- local authorities	1.06	1.19
TOTAL AID	5.49	6.98
<i>Average aid amount (EUR million)</i>	<i>0.04</i>	<i>0.05</i>
<i>Number of beneficiaries by size</i>		
- small enterprise	122	110
- medium-sized enterprise	30	25
- large enterprise	4	4
Number of beneficiaries - total	156	139
<i>Share of expenditure per aid instrument (%)</i>		
subsidy	96.64	97.44
founder's contribution ⁵	3.36	2.56

Table 7: Social services – childcare, amount of aid granted

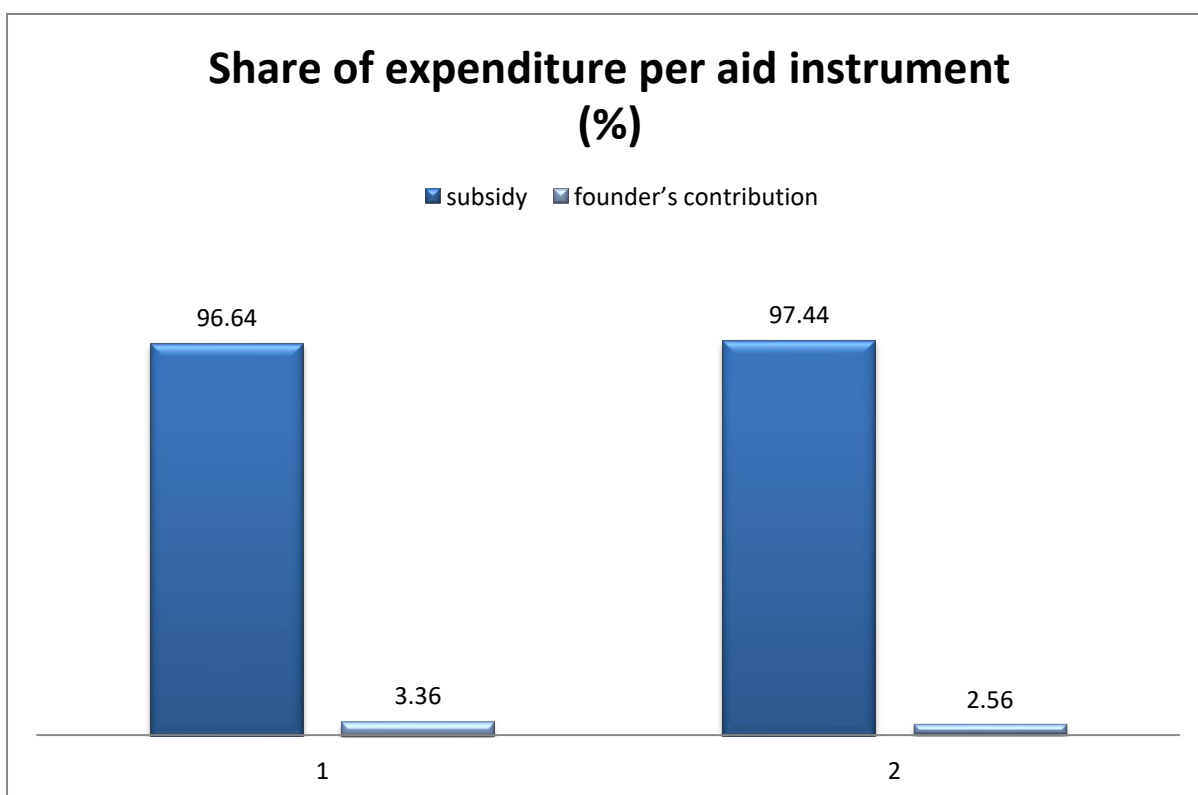


Graph 10: Social services – childcare: share of aid granted per aid grantor in 2018 and 2019 (%)

⁵ Preferential rental rate is included in the founder's contribution; in 2018 the aid amounted to EUR 0, while in 2019 it was EUR 3 530.



Graph 11: Social services – childcare: number of beneficiaries by size



Graph 12: Social services – childcare: share of expenditure per aid instrument (%).

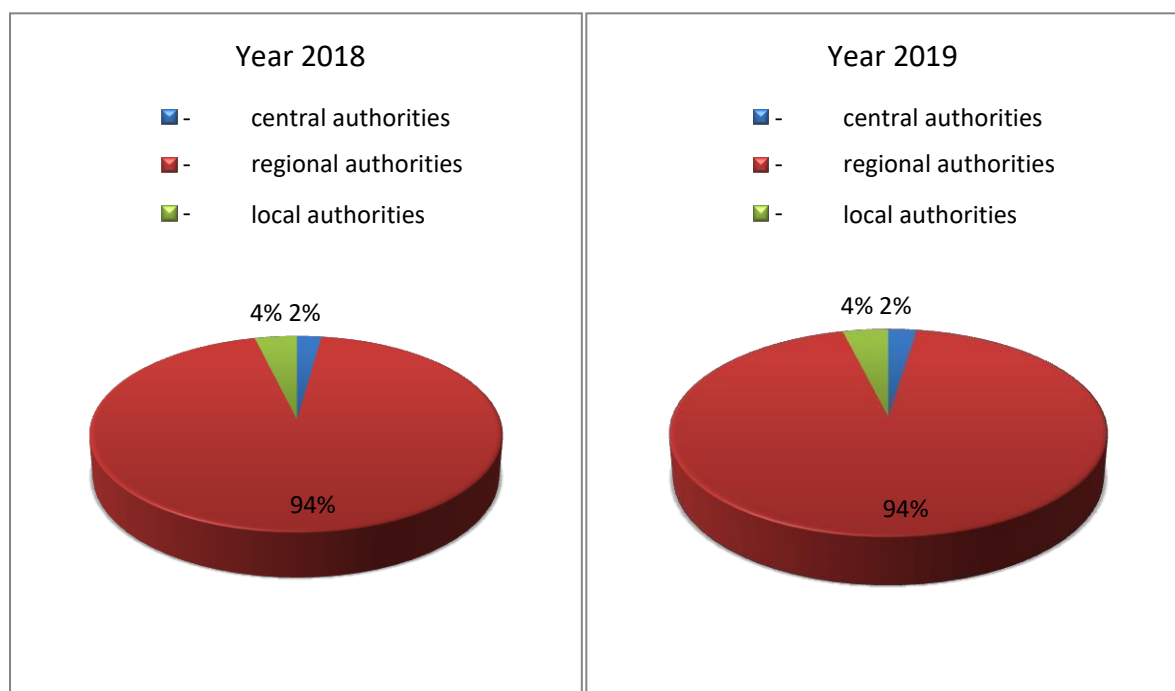
2.4 Social services – access and reintegration into the labour market

<p align="center">(2c) SOCIAL SERVICES – ACCESS AND REINTEGRATION INTO THE LABOUR MARKET</p> <p align="center">Clear and comprehensive description of how the respective services are organised in the Czech Republic</p>
<p>Contents of services entrusted as SGEI:</p>
<p>shelters; hostels day-care centres half-way houses sheltered housing sheltered workshops intervention centres intervention centre; contact centres low-threshold facilities for children and young people professional counselling and social rehabilitation support for independent living early care after-care services social activation services social therapy workshops social rehabilitation therapeutic communities outreach programmes interpreting services creation of temporary work opportunities for long-term jobseekers, provision of socially beneficial jobs (cleaning and maintenance of public and green spaces, public buildings and roads and other similar activities that benefit the municipality or State or other community institutions located in the municipality)</p>
<p>(Typical) forms of entrustment:</p>
<p>Contract (including a legal act on joining/granting the entrustment of another entity)</p>
<p>Average duration of the entrustment (in years) and the proportion of entrustments that are longer than 10 years (in %):</p>
<p>2.7 years 0% (entrustment not given for a period longer than 10 years)</p>
<p>Exclusive or special rights:</p>
<p>Exclusive or special rights not given for the sector in question.</p>

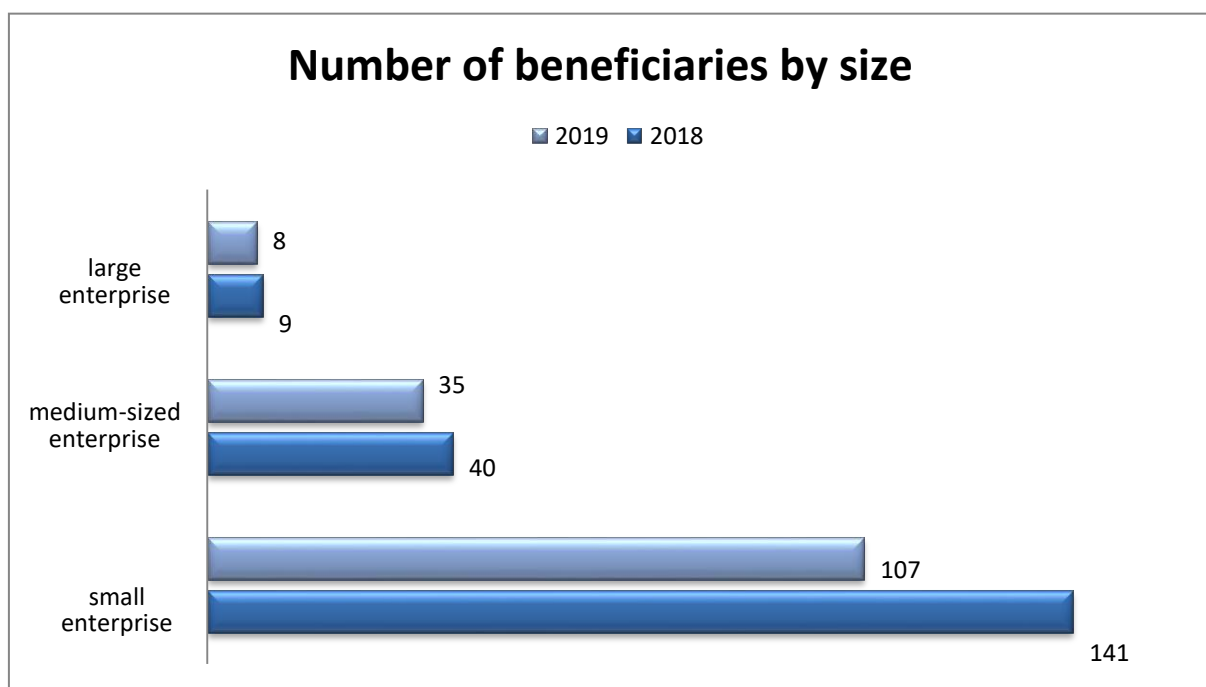
Aid instruments used (direct subsidies, guarantees, etc.):
subsidy founder's contribution
Typical compensation mechanism and methodology used (cost allocation / net avoided cost):
<p><i>Compensation mechanism:</i> In most cases the compensation mechanism was established on the basis of evidence provided of the costs actually incurred for a particular service, deducting any revenue associated with the service. In some cases there was advance settlement of compensation payments, including refunds of overpayments where appropriate.</p> <p><i>Methodology used:</i> Cost allocation method</p>
The arrangements for avoiding and recovering any overcompensation:
For the majority of contracting authorities, there is an emphasis on regular and continuous checks carried out for the entire duration of the commitment. It also stems from national legislation linked with financial and administrative checks. Beneficiaries are usually obliged to provide information about their use of public funds from another entity. Furthermore, beneficiaries must keep separate accounts and return the amount exceeding net costs to the contracting authority.
How the transparency requirements for aid above 15 million euro are being complied with:
- (no payments above 15 million euro were granted in the sector under review)

Social services – access to the labour market		
<i>Reporting period</i>	<i>2018</i>	<i>2019</i>
<i>Amount of aid granted per aid grantor (EUR million)</i>		
- central authorities	0.32	0.33
- regional authorities	13.67	12.69
- local authorities	0.55	0.53
TOTAL AID	14.54	13.55
<i>Average aid amount (EUR million)</i>	<i>0.05</i>	<i>0.06</i>
<i>Number of beneficiaries by size</i>		
- small enterprise	141	107
- medium-sized enterprise	40	35
- large enterprise	9	8
Number of beneficiaries - total	190	150
<i>Share of expenditure per aid instrument (%)</i>		
subsidy	70.15	78.76
founder's contribution	29.85	21.24

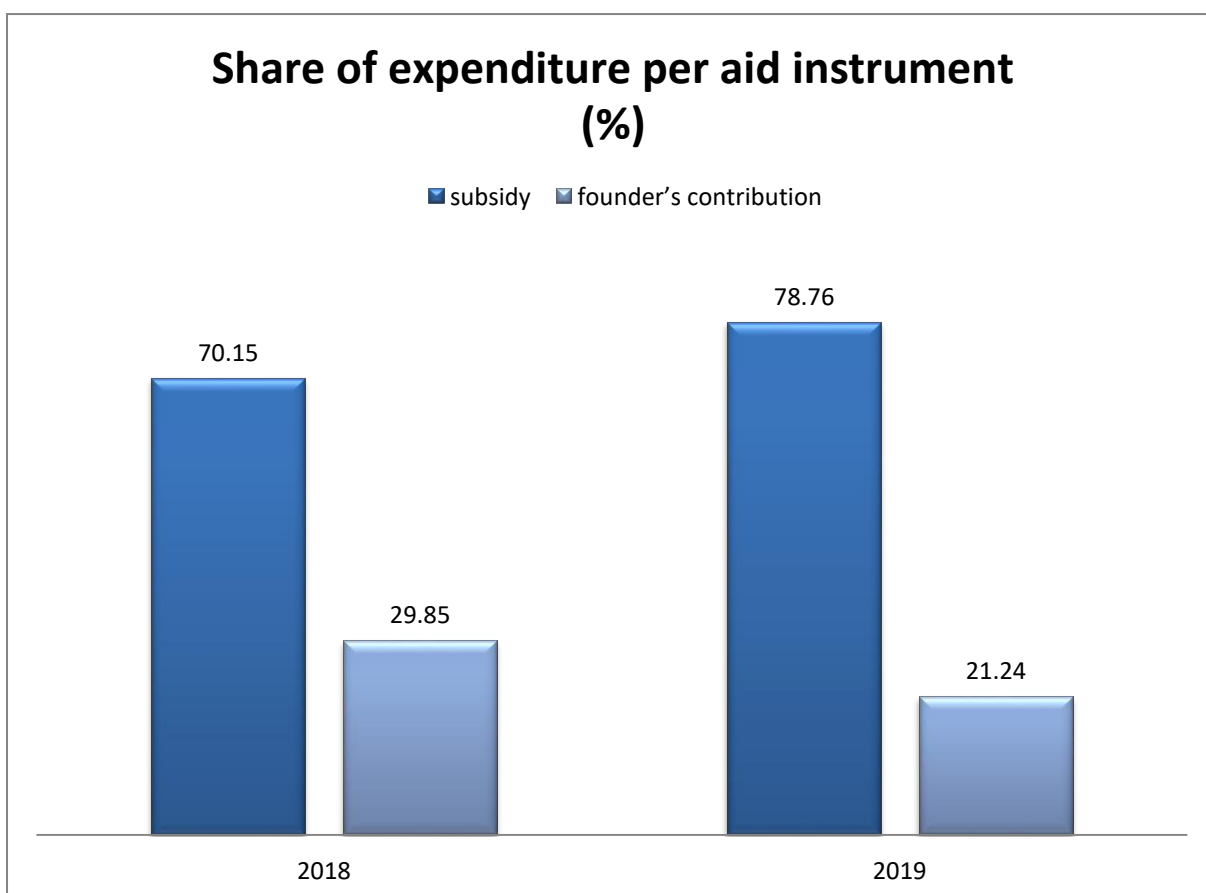
Table 8: Social services – access to the labour market, amount of aid granted



Graph 13: Social services – access to the labour market, amount of aid granted per aid grantor



Graph 14: Social services – access to the labour market, number of beneficiaries by size



Graph 15: Social services – access to the labour market, share of expenditure per aid instrument (%).

2.5 Social services – social housing

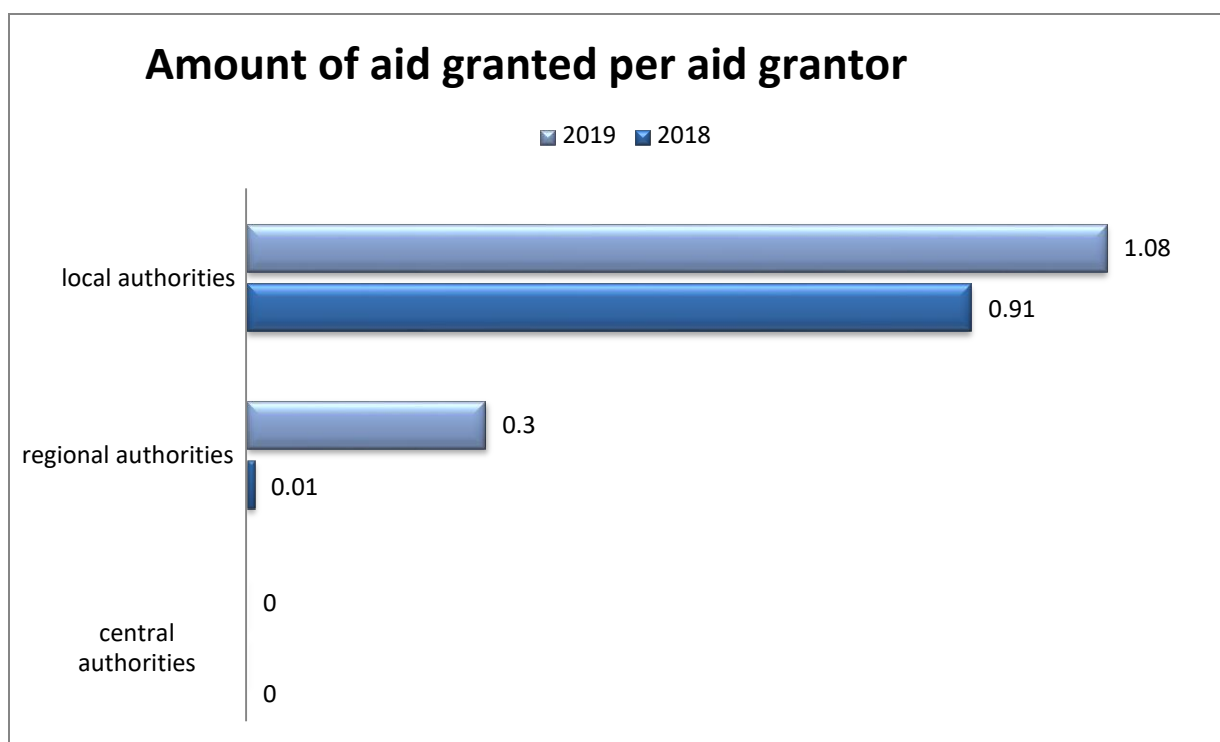
(2d) SOCIAL SERVICES – SOCIAL HOUSING Clear and comprehensive description of how the respective services are organised in the Czech Republic
Contents of services entrusted as SGEI:
shelters, hostels day-care centres for people with disabilities/elderly people homes for mothers with children in need home for people with disabilities elderly people's home home with a special regime half-way houses sheltered housing intervention centres emergency assistance low-threshold day centres respite care personal assistance stays for people at risk of social exclusion support for independent living renovation of an apartment block including construction of social housing
(Typical) forms of entrustment:
Contract (including a legal act on joining/granting the entrustment of another entity) Memorandum of association
Average duration of the entrustment (in years) and the proportion of entrustments that are longer than 10 years (in %):
4 years 2.7% (there are two entrustments for 13 and for 20 years in respect of services requiring a large investment whose redemption takes more than 10 years. The first case involved the renovation of an apartment block and the second one consisted of the total renovation and extension of an existing apartment block in the form of an additional floor and annex).
Exclusive or special rights:
Exclusive or special rights not given for the sector in question.
Aid instruments used (direct subsidies, guarantees, etc.):
subsidy indirect non-financial support

Typical compensation mechanism and methodology used (cost allocation / net avoided cost):

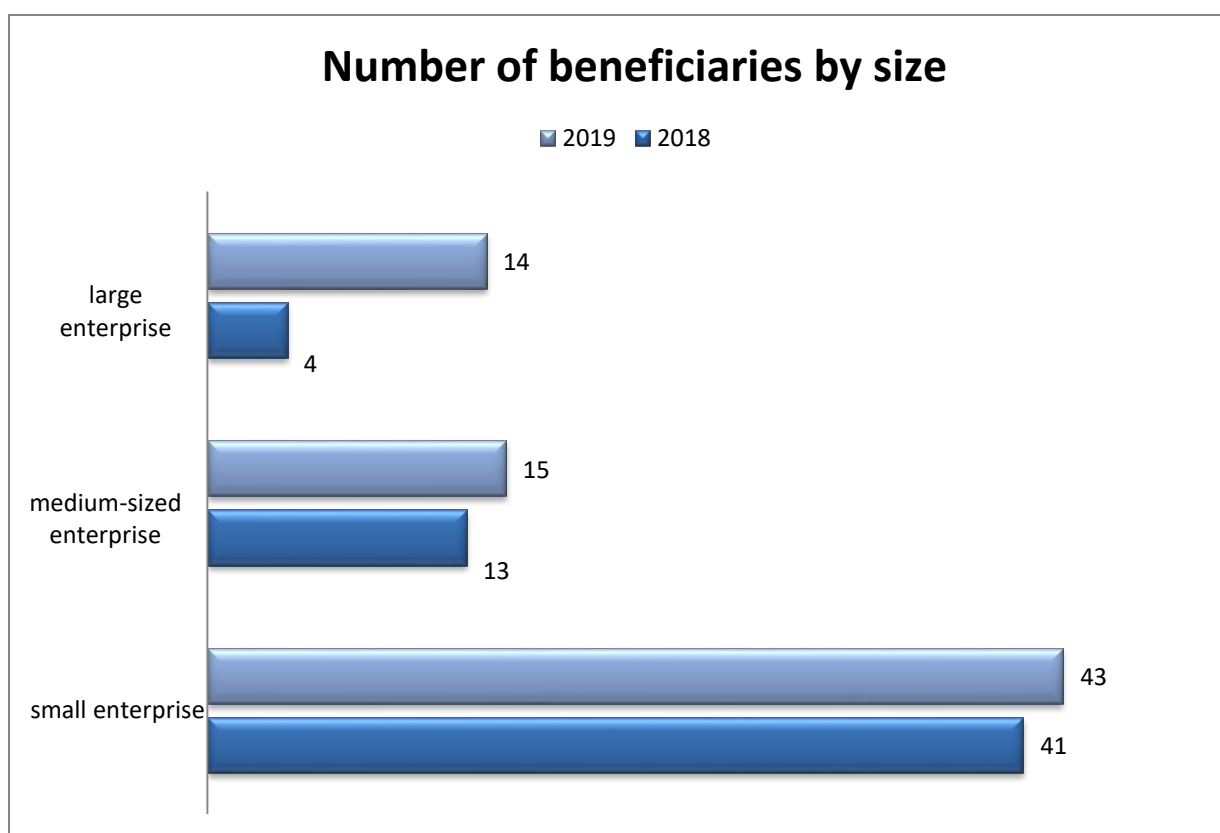
<p><i>Compensation mechanism:</i></p> <p>In most cases the compensation mechanism was established on the basis of evidence provided of the costs actually incurred for a particular service, deducting any revenue associated with the service. In some cases there was advance settlement of compensation payments, including refunds of overpayments where appropriate. Free-of-charge lease of land and premises.</p> <p><i>Methodology used:</i></p> <p>Cost allocation method</p>
<p>The arrangements for avoiding and recovering any overcompensation:</p>
<p>For the majority of contracting authorities, there is an emphasis on regular and continuous checks carried out for the entire duration of the commitment. It also stems from national legislation linked with financial and administrative checks. Beneficiaries are usually obliged to provide information about their use of public funds from another entity. Furthermore, beneficiaries must keep separate accounts and return the amount exceeding net costs to the contracting authority.</p>
<p>How the transparency requirements for aid above 15 million euro are being complied with:</p>
<p>- (no payments above 15 million euro were granted in the sector under review)</p>

Social services – social housing		
<i>Reporting period</i>	<i>2018</i>	<i>2019</i>
<i>Amount of aid granted per aid grantor (EUR million)</i>		
- central authorities	-	-
- regional authorities	0.01	0.30
- local authorities	0.91	1.08
TOTAL AID	5.6	6.69
<i>Average aid amount (EUR million)</i>	<i>2.98</i>	<i>2.97</i>
<i>Number of beneficiaries by size</i>		
- small enterprise	41	43
- medium-sized enterprise	13	15
- large enterprise	4	14
Number of beneficiaries - total	58	72
<i>Share of expenditure per aid instrument (%)</i>		
subsidy	99.94	99.95
indirect financial support	0.06	0.05

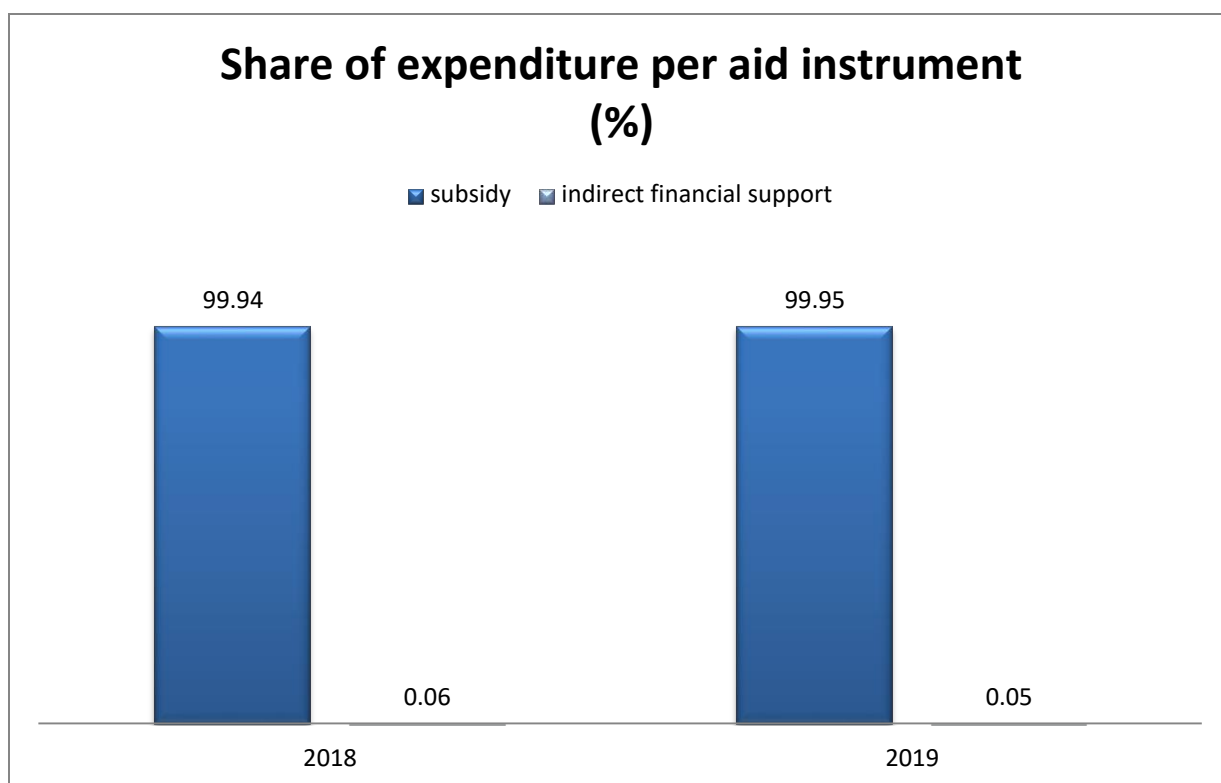
Table 9: Social services – social housing amount of aid granted



Graph 16: Social services – health and long-term care – amount of aid granted per aid grantor in 2018 and 2019



Graph 17: Social services – social housing, number of beneficiaries in 2018 and 2019



Graph 18: Social services – social housing, share of expenditure per aid instrument in 2018 and 2019 (%)

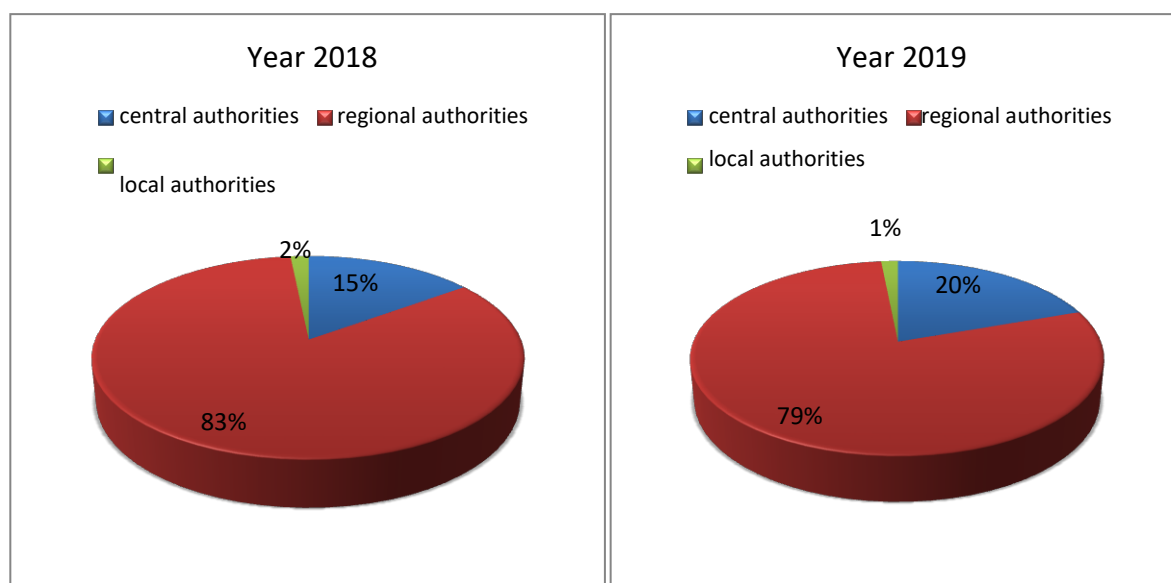
2.6 Social services - care and social inclusion of vulnerable groups

<p align="center">(2e) SOCIAL SERVICES - CARE AND SOCIAL INCLUSION OF VULNERABLE GROUPS</p> <p align="center">Clear and comprehensive description of how the respective services are organised in the Czech Republic</p>
<p>Contents of services entrusted as SGEI:</p>
<p>shelters, hostels, assistance services day centres day-care centres homes for people with disabilities elderly people's homes homes with a special regime half-way houses sheltered housing intervention centres contact centres emergency assistance mediation centre low-threshold centres hostels professional social counselling respite care personal assistance day-care services support for independent living social prevention programmes early care after-care services social-activation services for elderly people and people with disabilities activation services for families with children social counselling social-therapy workshops social rehabilitation social services emergency telephone line therapeutic communities therapy workshops outreach programmes - social integration programmes emergency care interpreting services week-day centres</p>
<p>(Typical) forms of entrustment:</p>
<p>Contract (including a legal act on joining/granting the entrustment of another entity) Memorandum of association Decision</p>

Average duration of the entrustment (in years) and the proportion of entrustments that are longer than 10 years (in %):
2.15 years 0.2% (there is one entrustment for 11 years. The service in the form of operating a low-threshold facility for children and young people demanded a large investment whose redemption will take more than 10 years.)
Exclusive or special rights:
Exclusive or special rights not given for the sector in question.
Aid instruments used (direct subsidies, guarantees, etc.):
donation subsidy founder's contribution non-monetary benefit preferential rental rate
Typical compensation mechanism and methodology used (cost allocation / net avoided cost):
<p><i>Compensation mechanism:</i> In most cases the compensation mechanism was established on the basis of evidence provided of the costs actually incurred for a particular service, deducting any revenue associated with the service. In some cases there was advance settlement of compensation payments, including refunds of overpayments where appropriate.</p> <p><i>Methodology used:</i> Cost allocation method</p>
The arrangements for avoiding and recovering any overcompensation:
For the majority of contracting authorities, there is an emphasis on regular and continuous checks carried out for the entire duration of the commitment. It also stems from national legislation linked with financial and administrative checks. Beneficiaries are usually obliged to provide information about their use of public funds from another entity. Furthermore, beneficiaries must keep separate accounts and return the amount exceeding net costs to the contracting authority.
How the transparency requirements for aid above 15 million euro are being complied with:
- (no payments above 15 million euro were granted in the sector under review)

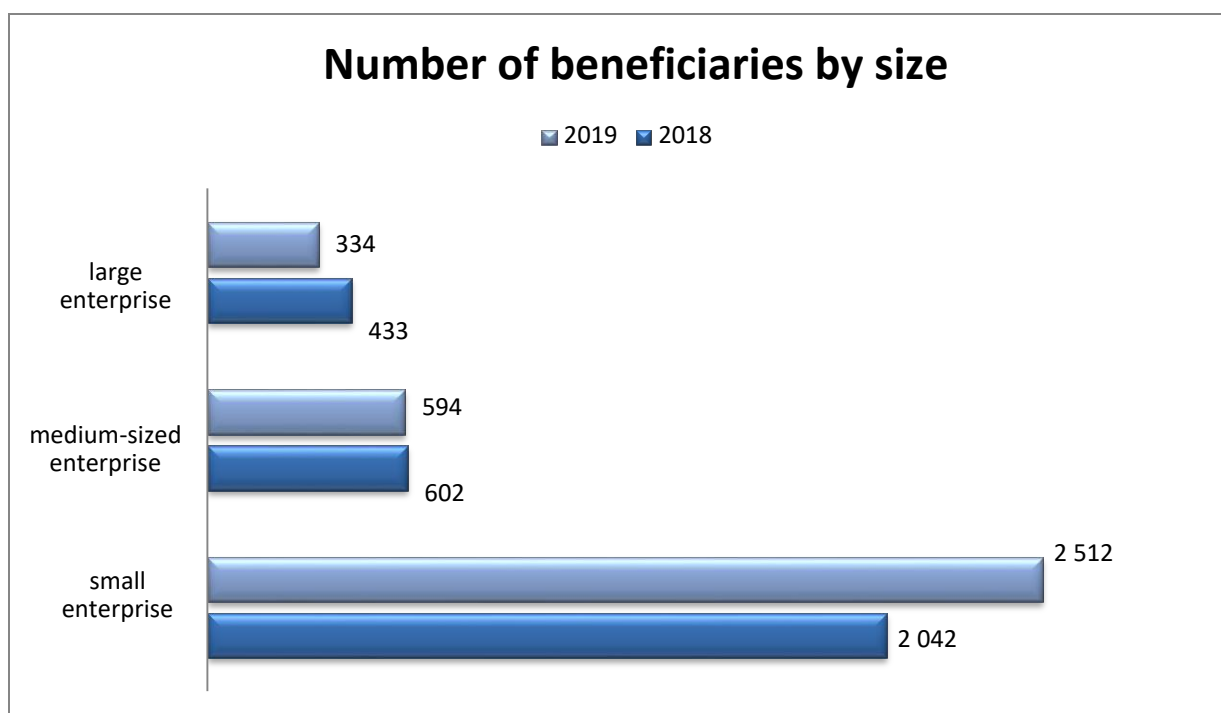
Social services - care and social inclusion of vulnerable groups		
Reporting period	2018	2019
Amount of aid granted per aid grantor (EUR million)		
- central authorities	42.43	67.79
- regional authorities	236.61	272.30
- local authorities	4.57	5.30
TOTAL AID	283.61	345.39
Average aid amount (EUR million)	0.09	0.10
Number of beneficiaries by size		
- small enterprise	2 042	2 512
- medium-sized enterprise	602	594
- large enterprise	433	334
Number of beneficiaries - total	3 077	3 441
Share of expenditure per aid instrument (%)		
preferential rental rate	-	0.01
subsidy	72.28	73.26
founder's contribution ⁶	27.72	26.73

Table 10: Social services - care and social inclusion of vulnerable groups, amount of aid granted

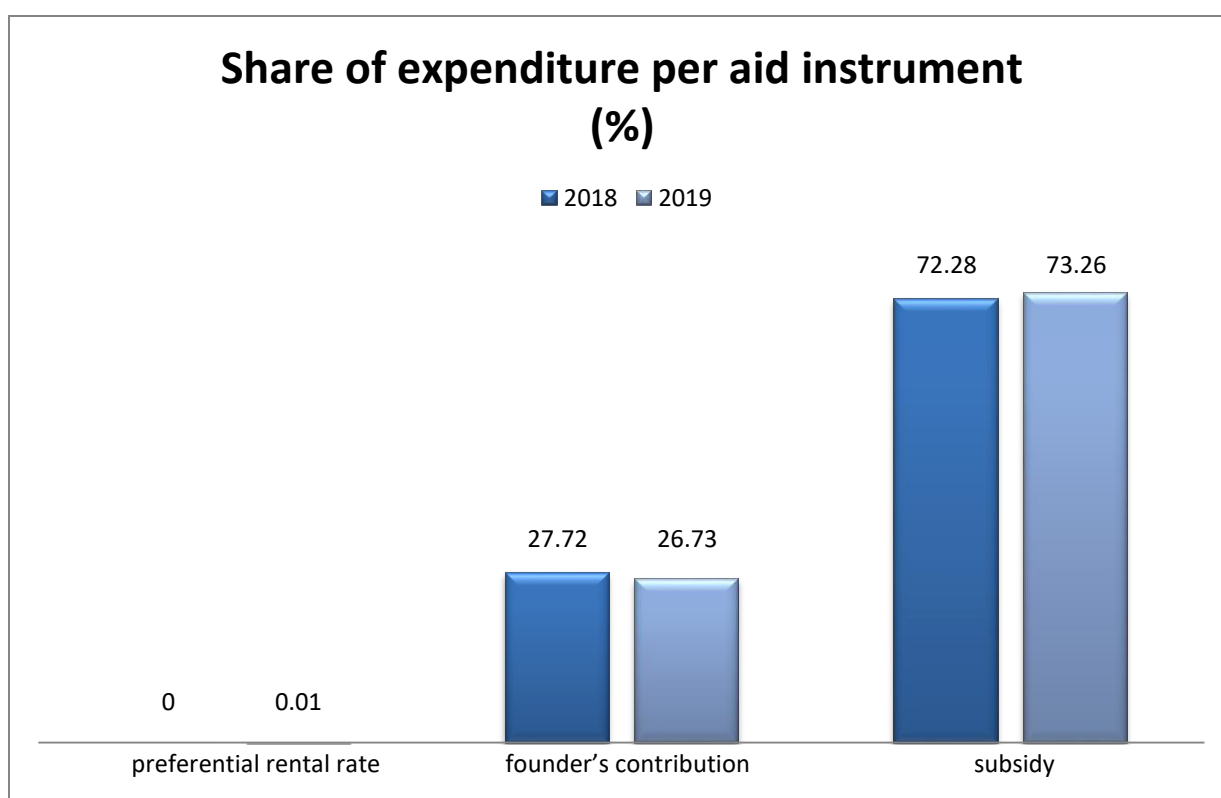


Graph 19: Social services - care and social inclusion of vulnerable groups, amount of aid granted per aid grantor

⁶ Because of its low value, the founder's contribution includes the non-monetary benefit amount; in 2018 the aid amounted to EUR 815.43, while in 2019 it was EUR 815.43. Similarly, because of its low value, the founder's contribution includes the donation amount, which in 2018 amounted to EUR 422.64, while in 2019 it was EUR 301.89.



Graph 20: Social services - care and social inclusion of vulnerable groups, number of beneficiaries by size



Graph 21: Social services - care and social inclusion of vulnerable groups, share of expenditure per aid instrument (%).

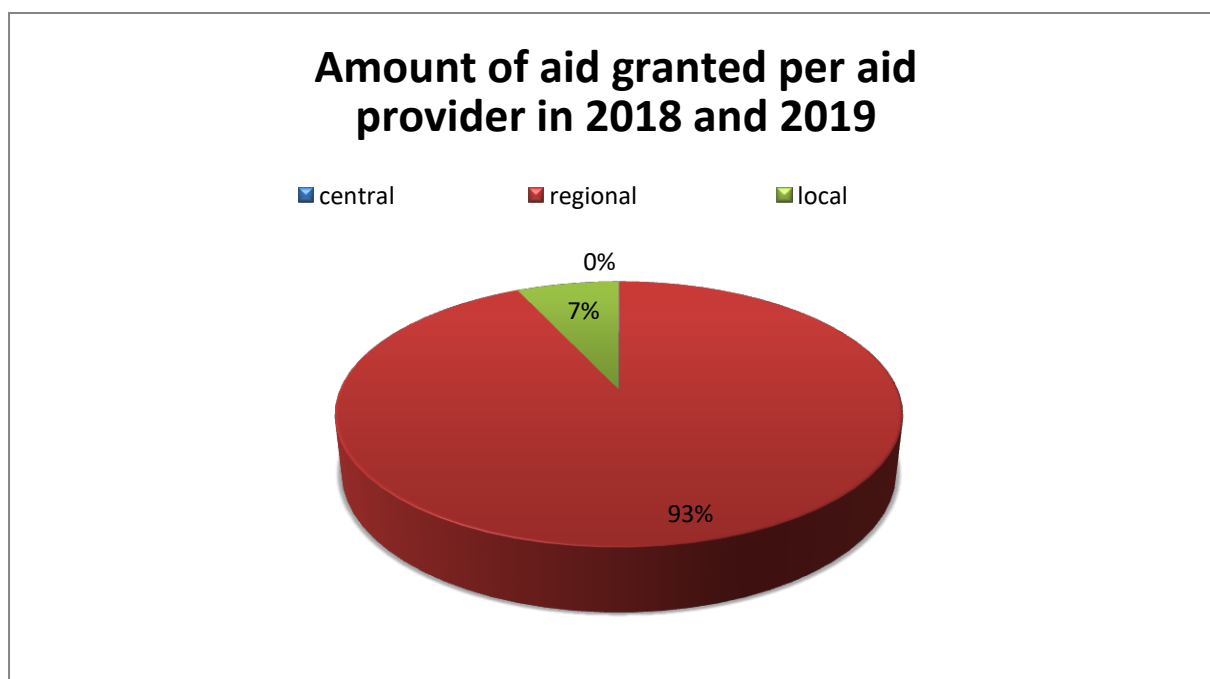
2.7 Social services – other

<p align="center">(2f) SOCIAL SERVICES – OTHER</p> <p align="center">Clear and comprehensive description of how the respective services are organised in the Czech Republic</p>
<p>Contents of services entrusted as SGEI:</p>
<p>shelters acquisition services for families with children day centres personal assistance centres day-care centres homes for people with disabilities elderly people's homes homes with a special regime half-way houses hospice care sheltered housing intervention centres contact centres emergency assistance low-threshold day centres low-threshold facilities for children and young people hostels professional counselling respite care personal assistance day-care services support for independent living advice centre for carers provision of accommodation and catering services primary prevention guide and reader services early care after-care services social activation services for families with children social-activation services for elderly people and people with disabilities;</p> <p>social-therapy workshops social counselling social rehabilitation social services provided in hospital in-patient facilities emergency telephone line therapeutic communities outreach programmes emergency care interpreting services week-day centres</p>

addressing the needs of people at risk of social exclusion facilitating testing
(Typical) forms of entrustment:
Contract (including a legal act on joining/granting the entrustment of another entity) Memorandum of association
Average duration of the entrustment (in years) and the proportion of entrustments that are longer than 10 years (in %):
2.23 years 0.4% (there is one entrustment for 16 years. The service in the form of operating a shelter demanded a large investment whose redemption will take more than 10 years.)
Exclusive or special rights:
Exclusive or special rights not given for the sector in question.
Aid instruments used (direct subsidies, guarantees, etc.):
subsidy non-financial support founder's contribution reduced rent lending property
Typical compensation mechanism and methodology used (cost allocation / net avoided cost):
<i>Compensation mechanism:</i> In most cases the compensation mechanism was established on the basis of evidence provided of the costs actually incurred for a particular service, deducting any revenue associated with the service. In some cases there was advance settlement of compensation payments, including refunds of overpayments where appropriate. <i>Methodology used:</i> Cost allocation method
The arrangements for avoiding and recovering any overcompensation:
For the majority of contracting authorities, there is an emphasis on regular and continuous checks carried out for the entire duration of the commitment. It also stems from national legislation linked with financial and administrative checks. Beneficiaries are usually obliged to provide information about their use of public funds from another entity. Beneficiaries must also keep separate accounts and return the amount exceeding net costs to the contracting authority.
How the transparency requirements for aid above 15 million euro are being complied with:
- (no payments above 15 million euro were granted in the sector under review)

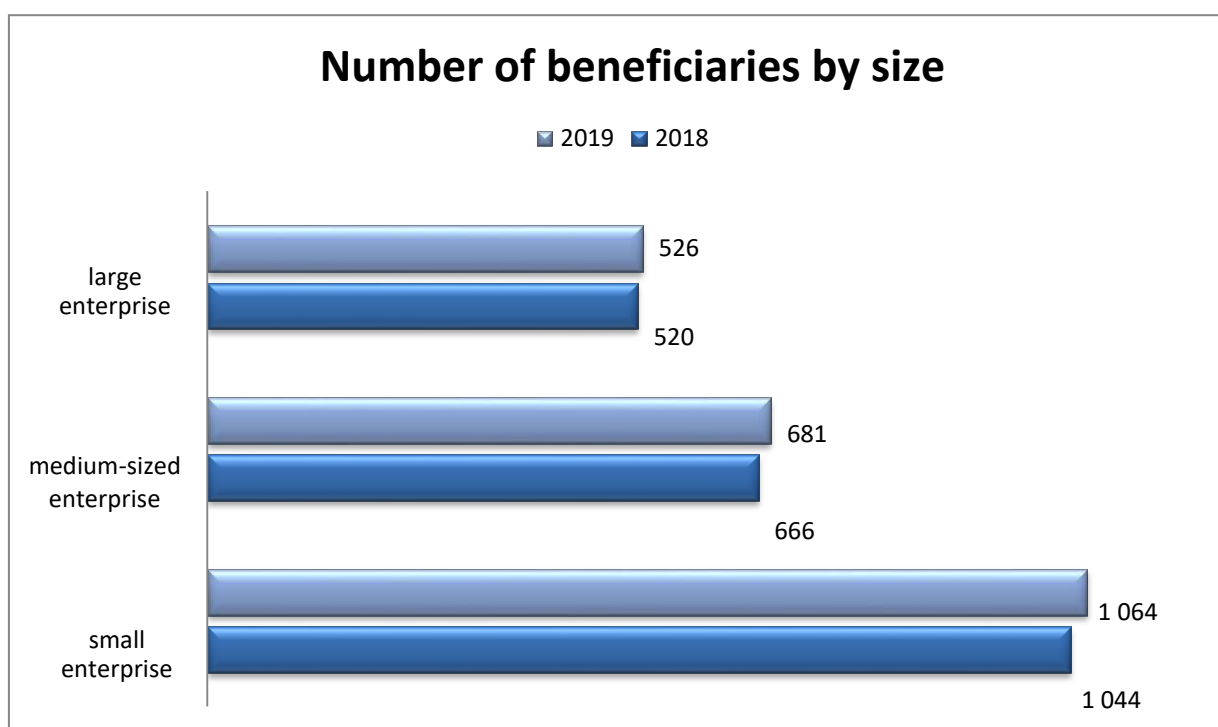
Social services – other		
<i>Reporting period</i>	<i>2018</i>	<i>2019</i>
<i>Amount of aid granted per aid grantor (EUR million)</i>		
- central authorities	-	-
- regional authorities	292.93	329.15
- local authorities	21.99	24.72
TOTAL AID	314.91	353.88
<i>Average aid amount (EUR million)</i>	<i>0.14</i>	<i>0.16</i>
<i>Number of beneficiaries by size</i>		
- small enterprise	1 044	1 064
- medium-sized enterprise	666	681
- large enterprise	520	526
Number of beneficiaries - total	2 230	2 271
<i>Share of expenditure per aid instrument (%)</i>		
subsidy	77.06	8.88
non-financial support ⁷	0.05	0.09
founder's contribution	22.88	21.00

Table 11: Social services – other, amount of aid granted

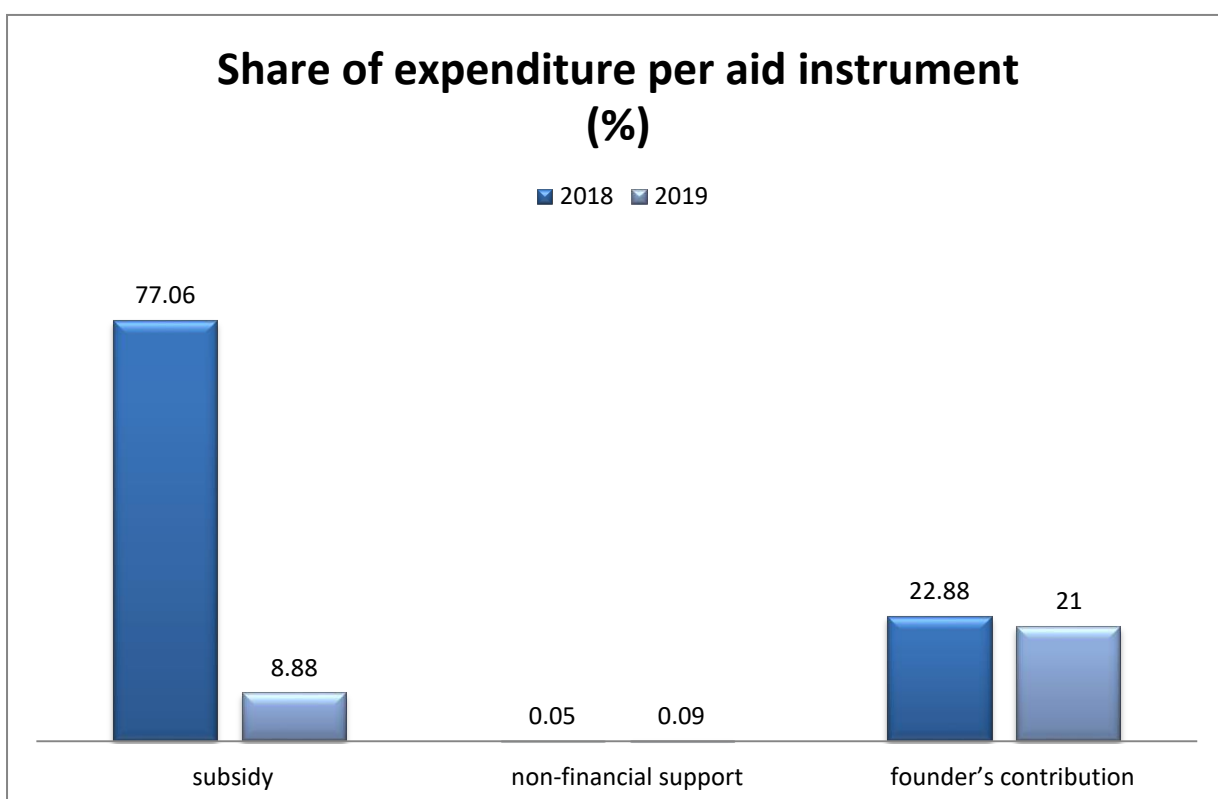


Graph 22: Social services – other, amount of aid granted per aid grantor in 2018 and 2019 (%)

⁷ Because of its low value, non-financial support includes the categories of reduced rent and property lending. In respect of reduced rent, in 2018 the aid amounted to EUR 11 363, while in 2019 it was EUR 15 580.81. For the instrument 'Property lending', in 2018 the aid provided amounted to EUR 10 325.79 and 2019 it was EUR 106 967.29.



Graph 23: Social services – other, number of beneficiaries by size



Graph 24: Social services – other, share of expenditure per aid instrument (%).

2.8 Airports and ports with average annual traffic below the limit set in Article 2(1)(e)

<p align="center">(4) AIRPORTS AND PORTS WITH AVERAGE ANNUAL TRAFFIC NOT EXCEEDING THE LIMIT SET IN ARTICLE 2(1)(E)</p> <p align="center">Clear and comprehensive description of how the respective services are organised in the Czech Republic</p>
<p>Contents of services entrusted as SGEI:</p>
<p>construction of infrastructure and airport facilities or direct support; operation of the infrastructure, including the maintenance and management of airport infrastructure; provision of airport services associated with air traffic operation such as provision of ground-handling services and use of related infrastructure; operation of an international non-public airport with an external Schengen border and a domestic public airport and provision of air services at Hradec Králové International Airport</p>
<p>(Typical) forms of entrustment:</p>
<p>Contract</p>
<p>Average duration of the entrustment (in years) and the proportion of entrustments that are longer than 10 years (in %):</p>
<p>6.3 years 0% (entrustment not given for a period longer than 10 years)</p>
<p>Exclusive or special rights:</p>
<p>Exclusive or special rights not given for the sector in question.</p>
<p>Aid instruments used (direct subsidies, guarantees, etc.):</p>
<p>subsidy</p>
<p>Typical compensation mechanism and methodology used (cost allocation / net avoided cost):</p>
<p><i>Compensation mechanism:</i> Compensation mechanism based on evidence of the costs incurred for a particular service, deducting any revenue associated with that service. When an overpayment is detected during the clearance of accounts, any overpaid amounts are returned.</p> <p><i>Methodology used:</i> Cost allocation method</p>
<p>The arrangements for avoiding and recovering any overcompensation:</p>

The beneficiaries submit their accounts every year. They must return any amount exceeding net costs to the contracting authority.

How the transparency requirements for aid above 15 million euro are being complied with:

- (no payments above 15 million euro were granted in the sector under review)

Airports and ports		
<i>Reporting period</i>	<i>2018</i>	<i>2019</i>
<i>Amount of aid granted per aid grantor (EUR million)</i>		
- central authorities	-	-
- regional authorities	0.73	0.93
- local authorities	1.22	2.21
TOTAL AID	1.94	3.14
<i>Average aid amount (EUR million)</i>	<i>0.97</i>	<i>1.57</i>
<i>Number of beneficiaries by size</i>		
- small enterprise	2	2
- medium-sized enterprise	-	-
- large enterprise	-	-
Number of beneficiaries - total	2	2
<i>Share of expenditure per aid instrument (%)</i>		
subsidy	100	100

Table 12: Airports and ports - amount of aid granted

2.9 Compensation not exceeding EUR 15 million - ENERGY

(5b) ENERGY Clear and comprehensive description of how the respective services are organised in the Czech Republic	
Contents of services entrusted as SGEI:	
consultancy and energy advice	
(Typical) forms of entrustment:	
Contract	
Average duration of the entrustment (in years) and the proportion of entrustments that are longer than 10 years (in %):	
5 years 0% (entrustment not given for a period longer than 10 years)	
Exclusive or special rights:	
Exclusive or special rights not given for the sector in question.	
Aid instruments used (direct subsidies, guarantees, etc.):	
subsidy	
Typical compensation mechanism and methodology used (cost allocation / net avoided cost):	
<p><i>Compensation mechanism:</i> Compensation mechanism based on evidence of the costs incurred for a particular service, including deduction of any revenue associated with that service. Advance settlement of compensation payments takes place, including refunds of overpayments.</p> <p><i>Methodology used:</i> Cost allocation method</p>	
The arrangements for avoiding and recovering any overcompensation:	
The beneficiaries submit their accounts by 28 February of each calendar year, together with a report on the discharge of the public service obligation. Checks on compensation are included in the on-the-spot check plans - they are carried out by the aid grantor.	

How the transparency requirements for aid above 15 million euro are being complied with:
- (no payments above 15 million euro were granted in the sector under review)

Culture (payments not exceeding EUR 15 million)		
<i>Reporting period</i>	<i>2018</i>	<i>2019</i>
<i>Amount of aid granted per aid grantor (EUR million)</i>		
- central authorities	-	-
- regional authorities	0.17	0.18
- local authorities	-	-
TOTAL AID	0.17	0.18
<i>Average aid amount (EUR million)</i>	<i>0.17</i>	<i>0.18</i>
<i>Number of beneficiaries by size</i>		
- small enterprise	1	1
- medium-sized enterprise	0	0
- large enterprise	0	0
Number of beneficiaries - total	1	1
<i>Share of expenditure per aid instrument (%)</i>		
subsidy	100	100

Table 13: Total amount of aid granted in the Energy sector (compensation not exceeding EUR 15 million)

2.10 Compensation not exceeding EUR 15 million - CULTURE

(5e) CULTURE Clear and comprehensive description of how the respective services are organised in the Czech Republic
Contents of services entrusted as SGEI:
theatre performance and performing arts development book, library, information, education and cultural services administration of a museum-style collection scientific preservation and development of live music and concert performance organisation of exhibitions for the general public publication of printed matter promoting the work of cultural institutions
(Typical) forms of entrustment:
Contract
Average duration of the entrustment (in years) and the proportion of entrustments that are longer than 10 years (in %):
5.6 years 0% (entrustment not given for a period longer than 10 years)
Exclusive or special rights:
Exclusive or special rights not given for the sector in question.
Aid instruments used (direct subsidies, guarantees, etc.):
subsidy contribution payment
Typical compensation mechanism and methodology used (cost allocation / net avoided cost):
<p><i>Compensation mechanism:</i> In most cases the compensation mechanism was established on the basis of evidence provided of the costs actually incurred for a particular service, deducting any revenue associated with the service. In some cases there was advance settlement of compensation payments, including refunds of overpayments.</p> <p><i>Methodology used:</i> Cost allocation method</p>
The arrangements for avoiding and recovering any overcompensation:

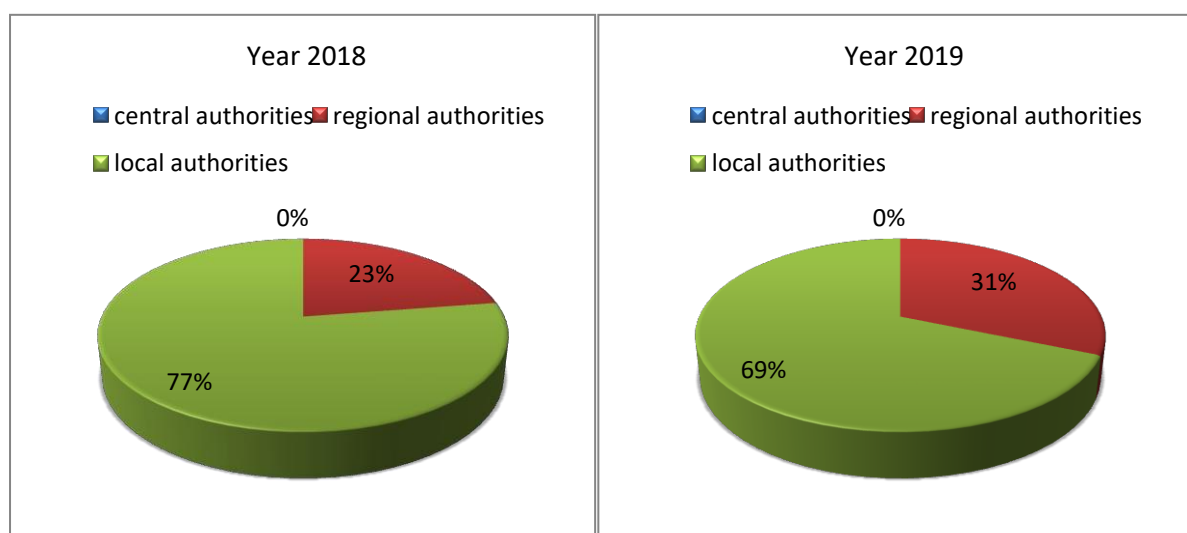
For the majority of contracting authorities, there is an emphasis on regular and continuous checks carried out for the entire duration of the commitment. It also stems from national legislation linked with financial and administrative checks. Beneficiaries are usually obliged to provide information about their use of public funds from another entity. Furthermore, beneficiaries must keep separate accounts and return the amount exceeding net costs to the contracting authority.

How the transparency requirements for aid above 15 million euro are being complied with:

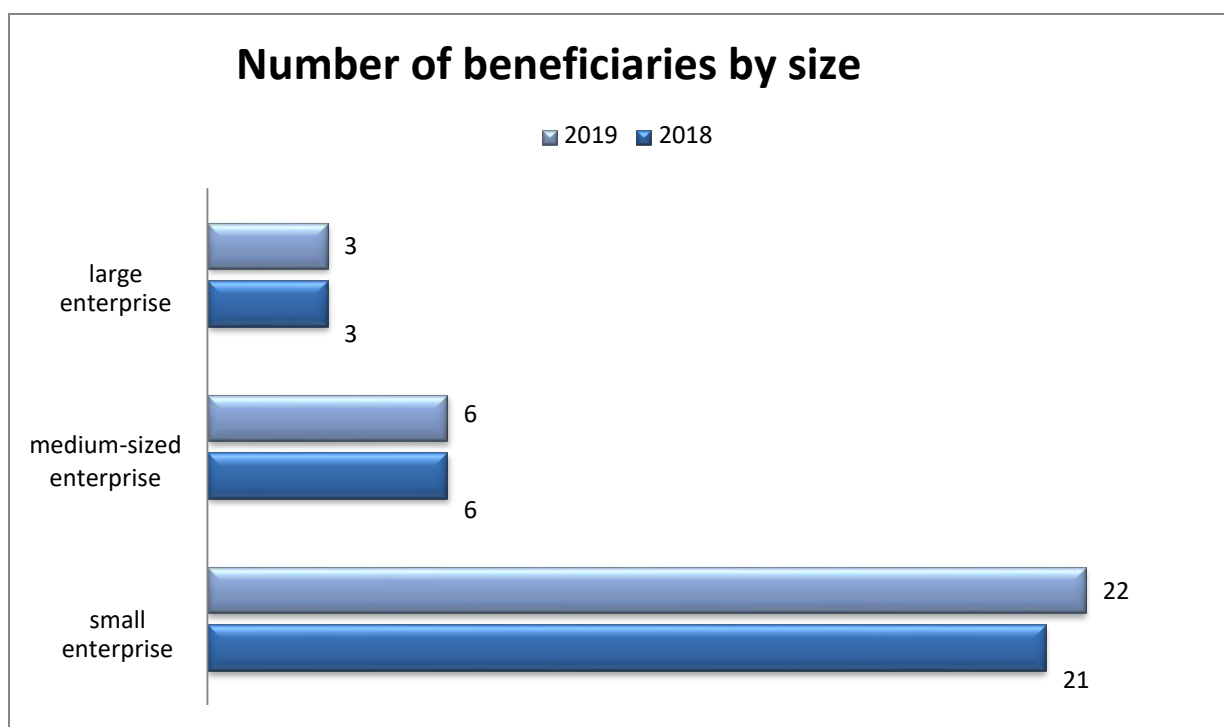
- (no payments above 15 million euro were granted in the sector under review)

Culture (payments not exceeding EUR 15 million)		
Reporting period	2018	2019
Amount of aid granted per aid grantor (EUR million)		
- central authorities	-	-
- regional authorities	4.97	5.44
- local authorities	17.05	11.92
TOTAL AID	22.02	23.64
Average aid amount (EUR million)	0.7	0.8
Number of beneficiaries by size		
- small enterprise	21	22
- medium-sized enterprise	6	6
- large enterprise	3	3
Number of beneficiaries - total	30	31
Share of expenditure per aid instrument (%)		
subsidy	55	56
contribution	24	23
payment	21	21

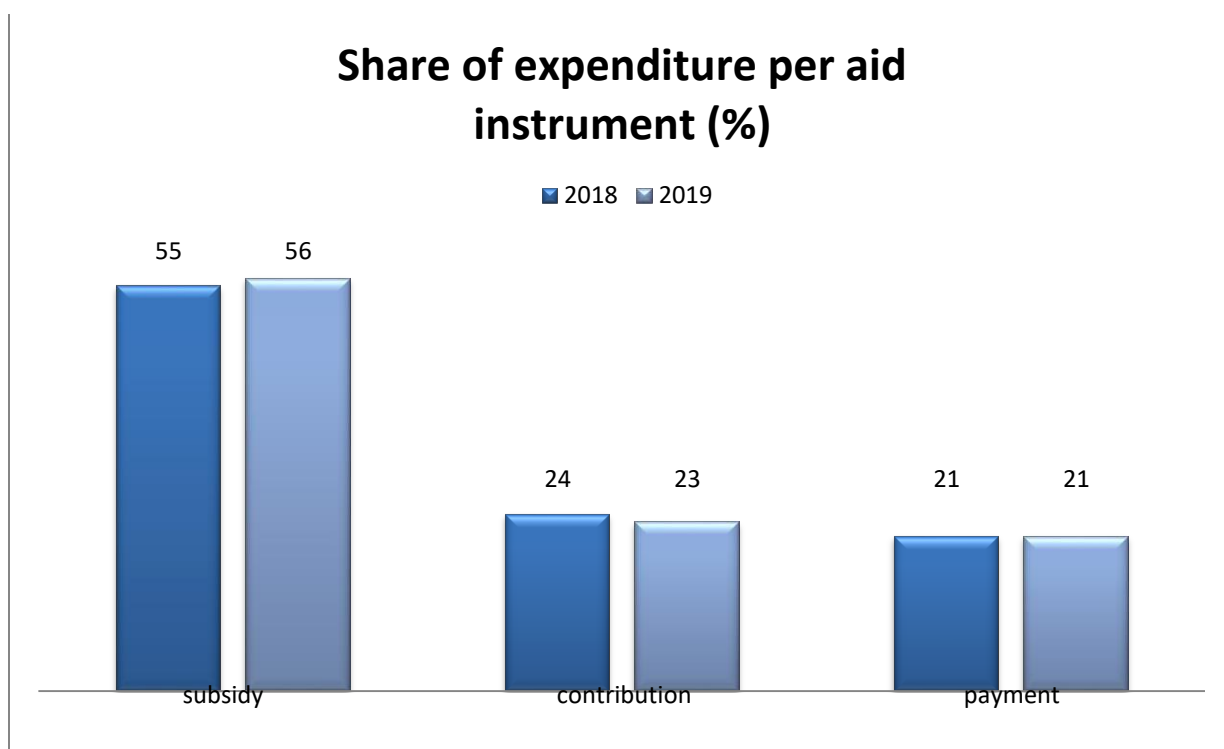
Table 14: Amount of aid granted in 2018 and 2019 in the Culture sector



Graph 25: Culture (payments not exceeding EUR 15 million) - share of aid granted per aid grantor in 2018 and 2019 (%)



Graph 26: Culture (payments not exceeding EUR 15 million) - number of beneficiaries by size



Graph 27: Culture (payments not exceeding EUR 15 million) - share of expenditure per aid instrument (%).

2.11 Compensation not exceeding EUR 15 million - OTHER SECTORS

<p align="center">(5g) OTHER SECTORS</p> <p align="center">Clear and comprehensive description of how the respective services are organised in the Czech Republic</p>
<p>Contents of services entrusted as SGEI:</p>
<p>provision of health services and support in a children's home for children up to the age of three who cannot grow up in a family</p> <p>provision of social and legal protection, including the establishment of facilities for children in need of immediate assistance</p> <p>activities aimed at achieving preparedness for addressing emergencies and crisis situations</p> <p>supporting students with special educational needs entering the labour market; teaching students with special educational needs; awareness-raising activities aimed at supporting inclusive education; parents' fora; transition programme - support for students with mental disabilities entering the labour market; traineeships in the Czech Republic and abroad, intended for staff working with students with special educational needs; creation of worksheets and methodological material for framework curricula</p> <p>cooperation with universities training future teaching staff, including development of didactics; adapting the teaching content of the curricula in schools in the context of inclusion of learners with special educational needs</p> <p>property maintenance and management, activities linked to property rentals</p> <p>holding, organising and arranging consultancy-related, information, educational, awareness-raising and competition events with a view to cultivating and developing the business environment and supporting competitiveness and professional skills</p> <p>consulting, lecturing, awareness-raising and educational activities in the area of extra-curricular education and promotion of entrepreneurship and enterprise, and in the area of increasing the popularity of science, new technologies and sectoral topics with an impact on the general public</p> <p>informal learning activities for children and young people</p> <p>arts education in various artistic disciplines</p> <p>organisation and provision of development in sport, physical education and other forms of physical activities in clubs and departments</p> <p>construction, operation and maintenance of fitness and other facilities</p> <p>operation of a swimming pool, swimming baths, sports hall, gymnastics hall, a multi-purpose sports ground, athletics stadium facilities; swimming school</p> <p>activities of peer support centres; compiling examples of best practices; creation of working material for framework curricula in basic schools</p> <p>activities of a non-formal pre-school centre; cooperation of a non-formal pre-school centre with local partner kindergartens</p> <p>further education programmes for teaching staff; career guidance; training programmes for education leaders</p> <p>tutoring of pupils at risk of failing at school; cooperation with parents and awareness-raising activities</p>

implementation of educational and awareness-raising activities and programmes in the field of environmental education, rural development and agriculture (for schools and the public)
 facility operation; provision of information
 advice services and consultation services
 promotion and cooperation in implementing high-profile cultural events
 provision of an information service; presentation and promotion of tourism; provision of advice and consultation activities in tourism
 integration leisure activities for all children; awareness-raising activities aimed at supporting inclusion; job diagnostics in connection with the labour market
 piloting and implementing a comprehensive modular support system contributing to improving the quality of professional development of head teachers in the area of pedagogic management, and of teachers in the area of sectoral didactics through peer networks, as well as of further training of teaching staff and other forms of professional support; implementing a network of methodological cabinets, designing and piloting modules for supporting novice teachers and head teachers; piloting and implementing systems for the quality management of further training of teaching staff
 coordination of public transport
 innovation activities support; preparation and implementation of development projects
 pre-school education support; tutoring and educational activities for pupils; smart solutions support (SMART region)
 support for foreign-language teachers - training of staff teaching technical elements of foreign languages; movement and regeneration activities in water and saunas
 organising sporting events
 in-patient and out-patient care for treatment and prevention; preventive, diagnostic, therapeutic, rehabilitative and dispensary care, and training, assessment and review activities
 operation of a park-and-ride facility
 operation of a public graveyard
 zoological garden; environmental education centre; centre for animals in need; trapping and quarantining of stray and abandoned animals; feral animal castration and population control; rescue station for handicapped wild animals; shelter
 cultural centre and centre for social and cultural events
 landscape gardening
 Regional Innovation Strategy management and implementation
 consumer issues-related and educational events for schools and the general public
 consumer advice and information services
 account-keeping and management of housing and property
 maintenance of public lighting and traffic lights; cleaning of public spaces; road maintenance
 creation of botanical collections; management and development of botanical collections containing species of Czech flora and flora from around the world; popular-science activities in the area of plant biology and garden art; science and research activities and cooperation; CITES plant rescue centre; maintaining the fishkeeping tradition

creation of a reference framework for Czech sign language; teaching of Czech as a second language to foreign students; monitoring, planning, evaluation of joint (inclusive) education

the use of model templates for complex tasks/educational projects/examples of best practice in a sample of school curricula in all categories of secondary vocational training

modernisation of the bases of vocational training in school curricula

modernisation of general educational components and integration of key competences in school curricula

provision of medical emergency services for adult patients.

(Typical) forms of entrustment:
Agreement Decision Resolution Memorandum of association
Average duration of the entrustment (in years) and the proportion of entrustments that are longer than 10 years (in %):
4.27 years 0.88% (there is one entrustment for 15 years. The service in the form of operating a park-and-ride facility demanded a large investment whose redemption will take more than 10 years.)
Exclusive or special rights:
Exclusive or special rights not given for the sector in question.
Aid instruments used (direct subsidies, guarantees, etc.):
subsidy waiver of the levy imposed for a breach of budgetary discipline contribution payment
Typical compensation mechanism and methodology used (cost allocation / net avoided cost):
<p><i>Compensation mechanism:</i></p> <p>In most cases the compensation mechanism was established on the basis of evidence provided of the costs actually incurred for a particular service, deducting any revenue associated with the service. In some cases there was advance settlement of compensation payments, including refunds of overpayments. Clearance of accounts takes place usually on a quarterly or yearly basis and takes account of the public funds drawn by the beneficiary in connection with the performance of the given service of general economic interest from other aid grantors (this results in a reduced compensation payment).</p> <p><i>Methodology used:</i></p> <p>Cost allocation method</p>
The arrangements for avoiding and recovering any overcompensation:

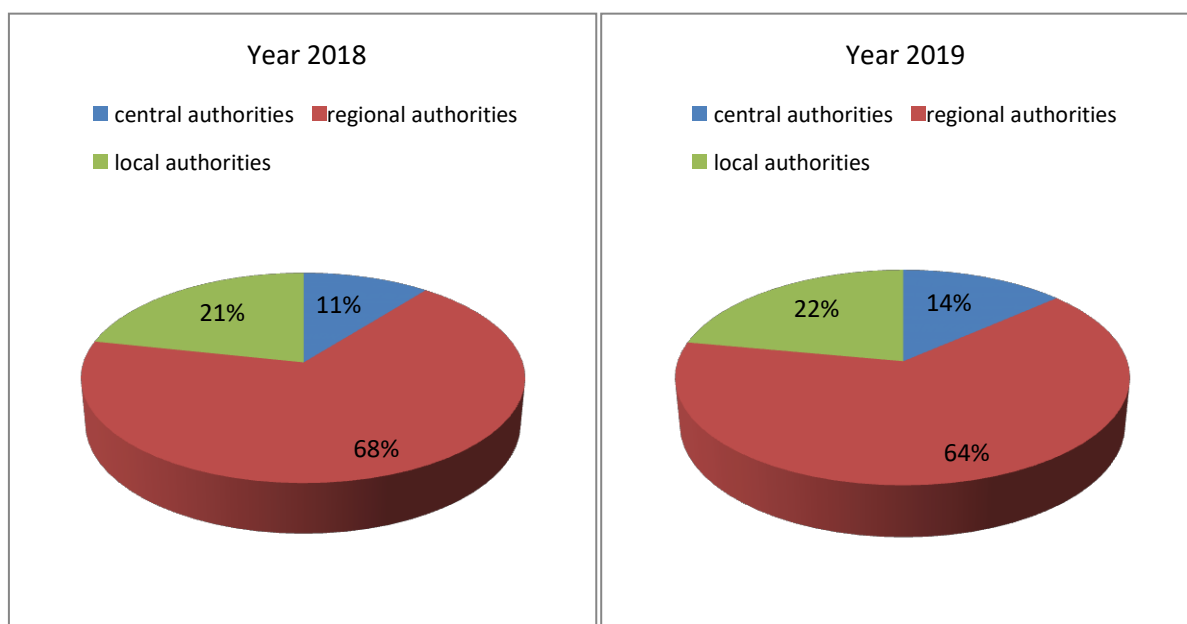
For the majority of contracting authorities, there is an emphasis on regular and continuous checks carried out for the entire duration of the commitment. It also stems from national legislation linked with financial and administrative checks. Beneficiaries are usually obliged to provide information about their use of public funds from another entity. Furthermore, beneficiaries must keep separate accounts and return the amount exceeding net costs to the contracting authority.

How the transparency requirements for aid above 15 million euro are being complied with:

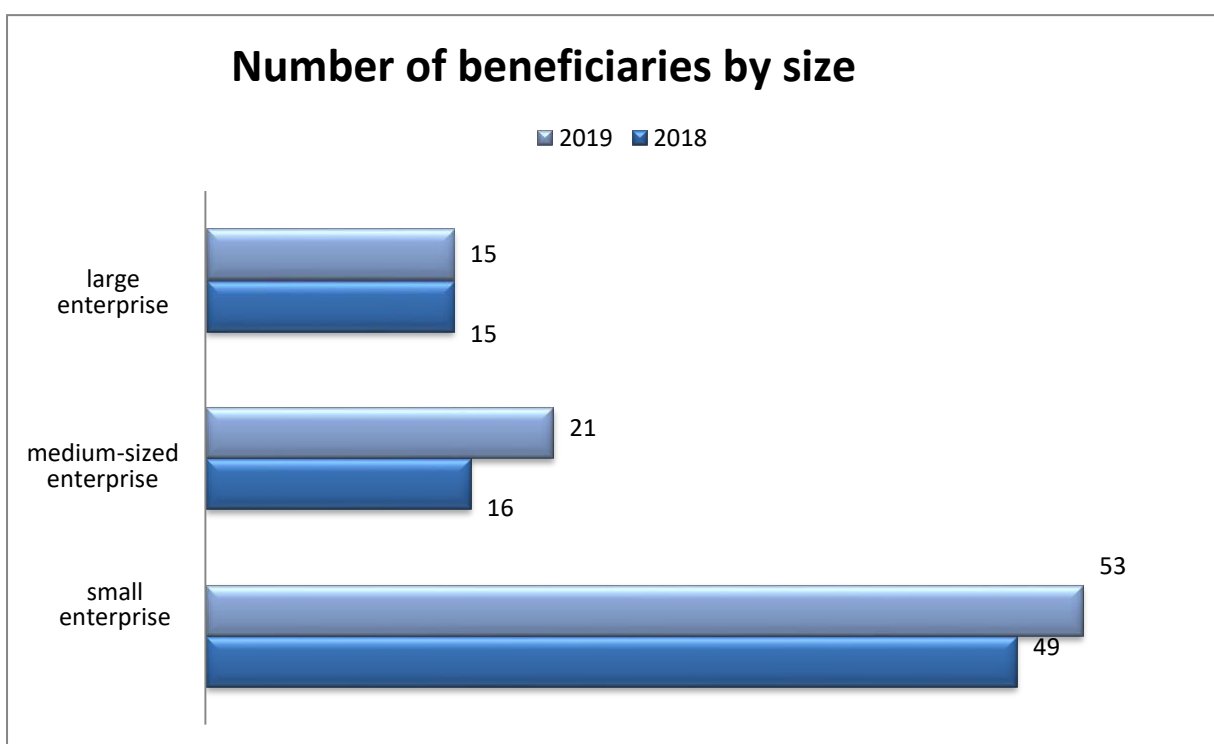
- (no payments above 15 million euro were granted in the sector under review)

Other sectors (compensation not exceeding EUR 15 million)		
<i>Reporting period</i>	<i>2018</i>	<i>2019</i>
<i>Amount of aid granted per aid grantor (million EUR)</i>		
- central authorities	6.64	9.41
- regional authorities	42.18	44.78
- local authorities	13.49	15.34
TOTAL AID	62.31	69.53
<i>Average aid amount (EUR million)</i>	<i>0.78</i>	<i>0.78</i>
<i>Number of beneficiaries by size</i>		
- small enterprise	49	53
- medium-sized enterprise	16	21
- large enterprise	15	15
Number of beneficiaries - total	80	89
<i>Share of expenditure per aid instrument (%)</i>		
subsidy	60.2	62.4
waiver of the levy imposed for a breach of budgetary discipline	0	0.02
contribution	21.7	20.8
payment	18.1	16.8

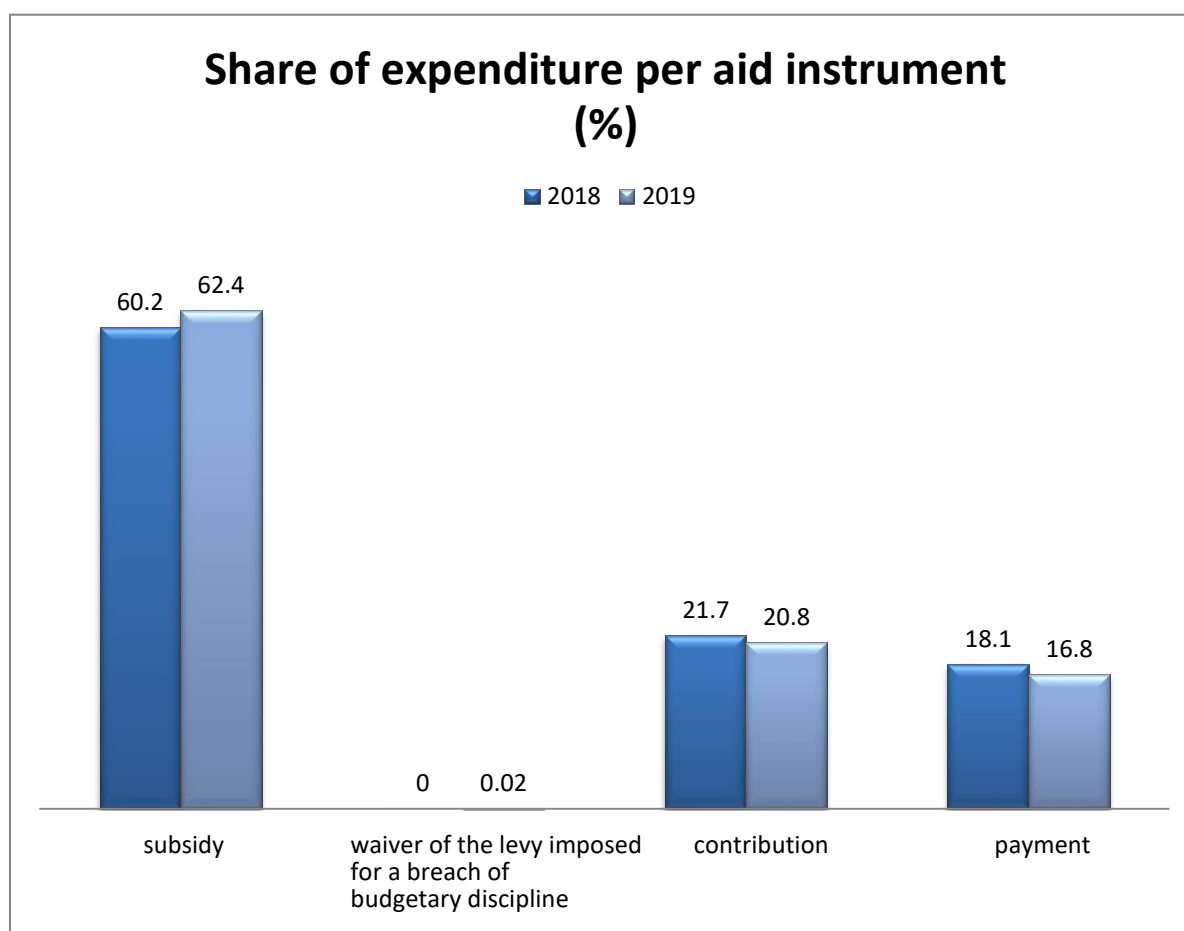
Table 15: Other sectors (compensation not exceeding EUR 15 million) - total amount of aid granted in 2018 and 2019



Graph 28: Other sectors (compensation not exceeding EUR 15 million) - share of aid granted per aid grantor in 2018 and 2019 (%)



Graph 29: Other sectors (compensation not exceeding EUR 15 million) - number of beneficiaries by size in 2018 and 2019



Graph 30: Other sectors (compensation not exceeding EUR 15 million) - share of expenditure per aid instrument in 2018 and 2019 (%)

3. Description of the 2012 SGEI Framework application

3.1 Postal services

(see Commission decision of 19 February 2018 in cases SA.45281 (2017/N) and SA.44859 (2016/FC) - Czech Republic - State compensation granted to Czech Post for the provision of the universal postal service over the period 2013-2017)

3.2 Other sectors – eDelivery

(see Commission decision of 2 February 2018 in Case SA.47293 (2017/N) – Czech Republic – State compensation granted to Czech Post for the provision of the Data Boxes Information System over the period 2018-2022)

3.1 Postal services

<p style="text-align: center;">(i) POSTAL SERVICES</p> <p style="text-align: center;">Clear and comprehensive description of how the respective services are organised in the Czech Republic</p>
<p>Contents of services entrusted as SGEI:</p>
<p>(a) the delivery of postal items up to 2 kg; (b) the delivery of postal packages up to 10 kg; (c) the delivery of registered items up to 2 kg; (d) the delivery of insured items up to 10 kg; (e) the free delivery of postal items up to 7 kg for blind and partially-sighted persons; (f) services which must be provided on the basis of obligations resulting from the Czech Republic's membership of the Universal Postal Union.</p> <ul style="list-style-type: none"> – the delivery of postal items from abroad; – the delivery of postal packages up to 10 kg from abroad; – bags with printed matter; the service consists of special bags containing newspapers, magazines, books and similar printed matter duplicated by printing for one addressee per address up to 30kg. This service is intended only for cross-border shipments; – the cross-border delivery of postal items where the postage is paid by the addressee instead of the sender it is not an independent postal service as it only constitutes a different method of payment for postal items up to 2 kg within the scope of the universal postal service obligation; – international reply coupons; this constitutes a different method of payment for postal items. Coupons can be exchanged for postage stamps representing the minimum postage for a priority airmail letter of up to twenty grams sent to another Universal Postal Union member country.
<p>(Typical) forms of entrustment:</p>
<p>ACT, DECREE, DECISION, GOVERNMENT REGULATION (Based on a transitional provision of an amendment to Act No 29/2000 on postal services, Česká pošta, s. p. was designated a postal licence holder from 1 January 2013 to 31 December 2017. In line with that, the Czech Telecommunication Office granted a postal licence to Česká pošta, s. p. by means of a decision defining the services of general economic interest and entrusting them to Česká pošta, s. p., namely the obligation to provide universal services over a period of five years (1 January 2013–31 December 2017) throughout the Czech Republic. The specifications for each universal service and the basic quality requirements applicable to their provision have been laid down by Decree No 464/2012. The minimum number of establishments for the provision of universal services is set out in Government Regulation No 178/2015.</p>
<p>Average duration of the entrustment (in years) and the proportion of entrustments that are longer than 10 years (in %):</p>
<p>5 years 0% (entrustment not given for a period longer than 10 years)</p>
<p>Exclusive or special rights:</p>

Provision of the service of the delivery of a monetary amount under a postal money order (this is the only exclusive right granted to Česká pošta; no separate compensation is applied to this service.)
Aid instruments used (direct subsidies, guarantees, etc.):
subsidy
Typical compensation mechanism and methodology used (cost allocation / net avoided cost):
<p><i>Compensation mechanism:</i></p> <p>Step 1: Česká pošta calculates the net cost stemming from the universal service obligation and submits the aid grantor a request for reimbursement of the net costs representing an unfair financial burden</p> <p>In line with Section 34c of Act No 29/2000 on postal services, from 1 July until 31 December of the billing period Česká pošta may, as the postal licence holder, submit a request to the aid grantor for the reimbursement of the provisional net costs for the billing period. In such cases, the aid grantor will issue a decision establishing the provisional net costs equal to one-half of the net costs representing an unfair financial burden for the preceding billing period (year t-1) for which the amount of the net cost was verified. Within 30 days from the date on which the decision becomes final, the Czech Republic will reimburse, via the aid grantor (the Office), the provisional net costs to the postal licence holder.</p> <p>Step 2: The aid grantor verifies the net costs calculated by Česká pošta.</p> <p>Under Section 34d of the Postal Services Act, the postal licence holder may, by 31 August of the calendar year following the end of the billing period (year t+1), submit to the aid grantor a request for the reimbursement of the net costs representing an unfair financial burden. The aid grantor verifies the net costs calculated by Česká pošta using the net avoided cost methodology. The aid grantor establishes the net costs representing an unfair financial burden equating to the amount of the net costs verified in accordance with Section 34b of the Postal Services Act. For the purpose of reimbursing the net costs representing an unfair financial burden, the aid grantor takes into account the provisional net costs already reimbursed to the postal licence holder.</p> <p>The aid grantor verifies the origin and amount of the net costs in the manner specified in Section 34b of the Postal Services Act. If the verification proves that the net costs have been calculated correctly, the postal licence holder has a legal right to have the net costs reimbursed.</p> <p>Step 3: The State reimburses the amount of the net costs representing an unfair financial burden via the aid grantor (the Office).</p> <p>The net costs of fulfilling the obligation to provide a universal service verified by the aid grantor in line with Section 34b of the Postal Services Act are reimbursed up to the maximum amount established by Section 34d of the Postal Services Act. Specifically, for years 2013 and 2014 the reimbursement may not exceed CZK 800 million, for 2015 the maximum amount is CZK 700 million, for 2016 it is CZK 600 million, and for 2017 it is CZK 500 million. As a result, the reimbursement might not be sufficient to cover all net costs (i.e. where the verified net costs exceeded the upper limit laid down by Section 34d of the Postal Services Act).</p> <p><i>Methodology used:</i> Net avoided cost methodology</p>

The arrangements for avoiding and recovering any overcompensation:
The risk of overcompensation is already avoided by the fact that the calculation and verification of the compensation is carried out <i>ex post</i> by the aid grantor.
How the transparency requirements for aid above 15 million euro are being complied with:
The required information is available on the aid grantor's website and it is also published in the annual report, as well as on an ongoing basis in the monthly monitoring reports.

SGEI Framework - postal services		
<i>Reporting period</i>	<i>2018</i>	<i>2019</i>
<i>Amount of aid granted per aid grantor (million EUR)</i>		
TOTAL AID	67.92	18.87
- central authorities	67.92	18.87
- regional authorities	-	-
- local authorities	-	-
<i>Share of expenditure per aid instrument (%)</i>		
subsidy	100	100
<i>Number of beneficiaries by size</i>		
- small enterprise	-	-
- medium-sized enterprise	-	-
- large enterprise	1	1
Number of beneficiaries - total	1	1

Table 16: SGEI Framework – postal services, amount of aid granted

3.2 Other sectors – eDelivery

<p align="center">(ix) OTHER SECTORS – eDelivery</p> <p align="center">Clear and comprehensive description of how the respective services are organised in the Czech Republic</p>
<p>Contents of services entrusted as SGEI:</p>
<p>Česká pošta (the Operator) is bound by the obligation to provide, in a due and timely manner, Data Boxes Information System (DBIS) Development Services and DBIS Operational Support Services.</p> <p>The DBIS Development Services are defined in the following way:</p> <ol style="list-style-type: none"> 1) implementation of modification requests, which the Operator is obliged to implement in line with the conditions of the entrustment - contract within 12 months from its entry into effect, i.e. ensuring the total implementation of the requirements arising under Act No 181/2014 on cybersecurity, and signing in to DBIS using electronically readable identification documents or the National Identity Authority; launch of a new electronic identification means using mobile devices, implementation of a DBIS functionality optimised for mobile devices; putting into operation an independent authentication service functionality; 2) implementation of further modification requests at the discretion of the support provider (the Administrator) and their incorporation into the DBIS. <p>The planned extent for the provision of the DBIS Development Services is up to 1 000 (one thousand) man-days (MD) yearly, based on orders confirmed by both parties; it includes the complete implementation of modification requests consisting in modifying, adapting or adding new DBIS components or functionalities, including modifications to the software that is part of the DBIS and the Licensed Software. The provision of the DBIS Development Services also covers interconnecting the newly created components, functionalities or software, configuring and linking them to other external systems, including coding work and testing. The DBIS Development Services do not concern the HW infrastructure. DBIS is a critical information infrastructure information system pursuant to Act No 181/2014 on cybersecurity, and it contains personal data. The Operator is also obliged to ensure all Services in line with the requirements of the Cybersecurity Act and Act No 110/2019 on the processing of personal data. The requisite availability of the entire DBIS is 99.9% with the quality of the Services defined.</p> <p>The DBIS Operational Support Services are defined in the following way:</p> <ul style="list-style-type: none"> • provision of technical infrastructure services (HW, basic and generic SW, network components, data links, installation and putting into operation, implementation of Licenced Software) to ensure the DBIS operation; • provision of technical infrastructure services (HW, basic and generic SW, network components, data links, installation and putting into operation, implementation of Licenced Software) to ensure the operation of a public testing environment; • provision of hosting services in two separate and geographically independent data centres that are interconnected; • ensuring Operation Services and in that context making available the DBIS functionalities to the authorised users to the extent requested by the Administrator under this

entrustment - contract and as required by law. The Operation Services include the provision of support and servicing activities as set out in this entrustment - contract.

The DBIS Operation Services comprise in particular the following activities:

- 1) DBIS Safe Operation and Availability Service;
 - 2) Data Centre Services, including ensuring data communication;
 - 3) Call Centre Services;
 - 4) Service Desk Services;
 - 5) Security Monitoring Services;
 - 6) PostServis Services (an establishment of the Operator ensuring the printing of envelopes with access details and other information, their assembly and dispatch to the postal shipping network;)⁸
- resolution of security incidents in cooperation with the Administrator;
 - DBIS data back-up and recovery;
 - DBIS recovery in the event of an accident;
 - correction of any errors identified during the security audit of the design documentation;
 - regular DBIS maintenance performed during operational downtimes;
 - drawing up a Plan for the migration of the entire DBIS to a new operator in connection with the termination of the Contract in line with the requirements set out in the entrustment – contract.

(Typical) forms of entrustment:
ACT, GOVERNMENT RESOLUTION, CONTRACT (pursuant to Section 14(2) of Act No 300/2008 on electronic operations and authorised conversion of documents, and Section 2(4) of Act No 221/2012 amending Act No 29/2000 on postal services, and on the basis of Government Resolution No 676 of 7 July 2016, Česká pošta is to operate the Data Boxes Information System in the period 2018-2022. In addition to the above legal acts, the content of Česká pošta's entrustment is also set out in the contract concluded between the Ministry of the Interior and Česká pošta.)
Average duration of the entrustment (in years) and the proportion of entrustments that are longer than 10 years (in %):
5 years 0% (entrustment not given for a period longer than 10 years)
Exclusive or special rights:
Exclusive or special rights not given for the sector in question.

§ The actual delivery (dispatch to the postal shipping network) is not covered by the entrustment - contract performance; it is performed, as part of the Postservis services, in line with the Postal Terms and Conditions of Česká pošta and the Postal Services Price List of Česká pošta in force at the time the assembled item is submitted for shipping (both documents are available at the website of Česká pošta at www.ceskaposta.cz). The type of item is to be determined by the DBIS in line with the DBIS Documentation. The delivery will be performed on the basis of the postal contract within the meaning of Act No 29/2000 on postal services, as amended, which is concluded at the time an item is submitted for shipping, and any payments or fees will be paid in line with the postal contract.

Aid instruments used (direct subsidies, guarantees, etc.):
direct subsidy
Typical compensation mechanism and methodology used (cost allocation / net avoided cost):
<p><i>Compensation mechanism:</i></p> <p>The total compensation consists of the price for the provision of the DBIS Operation Services and the price for the provision of the DBIS Development Services.</p> <p>For each calendar month in which it provides the DBIS Operation Services, Česká pošta is reimbursed the price that is the sum of the fixed monthly lump-sum price (the amount of which is set out in the entrustment - contract) and a variable price for the Data Messages sent (any data message irrespective of the sender and receiver). The variable price for the Data Messages sent is obtained by multiplying the price for one Data Message sent and the number of all Data Messages sent in the calendar month at issue. The price of one Data Message applicable in the given year covered by the entrustment - contract is set out in the contract.</p> <p>The price for the provision of the DBIS Development Services is paid for each calendar month in which the DBIS Development Services were provided; it is obtained by multiplying the extent of the performance provided by Česká pošta expressed in man-days (MD) as indicated in the approved monthly operation report, and the relevant unit price per man-day (MD) set out in the entrustment (contract) for the month at issue. Two rates are set out for the MD price, depending on whether the services are provided by a subcontractor or directly by Česká pošta. The specific rate amounts are set out in the entrustment - contract.</p> <p><i>Methodology used:</i></p> <p>Net avoided cost methodology</p>
The arrangements for avoiding and recovering any overcompensation:
<p>In accordance with section 6.5 of the Contract, overcompensation assessment is carried out at the end of every calendar year. In particular sections 2.1 and 2.2 of Annex 3 to the Contract require Česká pošta to check, at the end of every calendar year, whether the payments made in respect of the DBIS operation do not exceed the amount necessary to cover the net costs of discharging the public service obligation.</p> <p>Under point 7.11 of the Contract and point 2.1. of Annex 3 to the Contract, for the purposes of the overcompensation check, Česká pošta is obliged to keep separate accounts and to submit to the aid grantor its separately recorded costs and revenue incurred in the DBIS operation and, where appropriate, also prove, document or justify the costs recorded.</p> <p>The aid grantor may suspend all payments in the case of demonstrable non-compliance with the state aid rules. Česká pošta and the aid grantor are obliged to cooperate if the contractual relationship needs to be amended.</p>

How the transparency requirements for aid above 15 million euro are being complied with:

In line with the 2012 SGEI Framework, a public consultation was held on 26 April 2017 regarding the data boxes information system and the outcome has been published here: <https://www.mvcr.cz/clanek/verejna-konzultace-k-informacnimu-systemu-datovych-schranek.aspx> . In line with Article 108(3) TFEU and the Communication from the Commission - European Union framework for State aid in the form of public service compensation (2011) No 2012/C 8/03, the Administrator, in cooperation with the Operator, notified the European Commission of their plans to conclude the Contract currently being prepared. The content of Contract No 149230-64/EG- 2016 of 19 February 2018 concluded for the provision of operational and development services for the Data Boxes Information System in the period 2018–2022 was published in the Register of Contracts on 23 February 2018 - see <https://smlouvy.gov.cz/smlouva/4779404> .

SGEI Framework - other sectors: eDelivery		
<i>Reporting period</i>	<i>2018</i>	<i>2019</i>
<i>Amount of aid granted per aid grantor (million EUR)</i>		
TOTAL AID	16.65	16.24
- central authorities	16.65	16.24
- regional authorities	-	-
- local authorities	-	-
<i>Share of expenditure per aid instrument (%)</i>		
subsidy	100	100
<i>Number of beneficiaries by size</i>		
- small enterprise	-	-
- medium-sized enterprise	-	-
- large enterprise	1	1
Number of beneficiaries - total	1	1

Table 17: SGEI Framework - other sectors: eDelivery, amount of aid granted.

4. Third-party complaints

SGEI Decision:

No complaints concerning aid granted under the SGEI Decision were recorded during the period under review.

SGEI Framework:

Actions filed by Česká pošta, s. p. (ČP) against the decisions establishing the net costs for 2013 and 2014: the actions concerned the specific adjustments made by the aid grantor when verifying requests for the payment of net costs, the alleged fact that the decisions were not subject to review, and the unlawful application of a net cost limit when establishing the total net costs. Česká pošta withdrew the actions and as a result the court proceedings were halted on 8 March 2019.

Actions filed by Mediaservis s.r.o. against the decisions establishing the net costs for 2013 and 2014: In its action, Mediaservis sought the annulment of the decision on the net costs of Česká pošta for 2013 and 2014 on the grounds that it had not been a party to the administrative proceedings. The action regarding the year 2013 was withdrawn and the court proceedings were halted on 5 November 2019. The action regarding the year 2014 was rejected by the court on 28 November 2019.

5. Various

a) Problems with the application of the SGEI Decision

Aid grantors mention mainly the same general problems as those encountered in the application of the SGEI Decision in the past:

- greater administrative burden compared with other subsidies (in particular as concerns keeping accounts for compensation payments); the amount of time involved with administration and calculations;
- problems with selecting SGEI grantors in respect of legislation on public procurement - the question of whether the SGEI grantor must be selected on the basis of a public tender, in accordance with the Decision;
- significant problems in applying the SGEI Decision connected with the funding of services falling under the multi-source financing system (particularly in the area of social services);
- the problem with precisely determining whether or not something is public SGEI aid;
- the duration of the entrustment as an obstacle to the absorption capacity - at regional level entrustment acts are issued only for one year. Hence SGEI providers do not have legal certainty that their entrustment will be renewed. As a result, the absorption capacity is reduced because of fears that the entire subsidy will have to be repaid if continuity of service is not ensured;
- the repeated problem of establishing a reasonable level of profit in accordance with Article 5(5) to (8) of the SGEI Decision; the impossibility of establishing rules on

reasonable profit in a uniform way owing to the varying legal forms of beneficiaries and their accounting systems;

- issues with checks on over-financing of beneficiaries who obtain compensation from several grantors under multi-source financing (e.g. in the area of social services); difficulties regarding the setting up of the overcompensation control mechanism linked to the monitoring periods set out for the submission of implementation reports and payment requests;
- issuing entrustment for services in respect of which compensation is granted by another entity
 - this concerns the drawing of funding from EU funds where an existing entrustment is required for the service at issue;
- a complicated procedure for establishing adequate compensation when projects are submitted and approved because of errors that have to be removed from the calculations made by applicants; unsuitability for social services of the mechanism for establishing the compensation amount pursuant to Article 5 of the SGEI Decision, which leads to unnecessary repression and sometimes even to the closure of certain services;
- perception of the SGEI Decision as a vague, non-specific, general provision that leaves a number of areas open to arbitrary interpretation; lack of information on practical application and real-world examples; no system in place for sharing information among aid grantors concerning errors or obstacles encountered or the responses of the SGEI providers.

b) Problems with the application of the SGEI Framework

The contracting authorities did not identify any difficulties in the selection of service providers or in establishing the net avoided cost.

c) Other observations regarding the application of the SGEI Decision/Framework

The SGEI Decision does not address multi-source financing of services (as is the case of social services financing in the Czech Republic), which is being tackled systemically.

Some aid grantors would welcome it if social services could be included in block exemptions, since according to them social services do not constitute business activities on the free market.

Aid grantors consider the SGEI Decision to be the source of a number of problems and misunderstandings, owing to its vague wording. The biggest problem is the large increase in the administrative burden on all participants in the scheme (even beneficiaries have to hire external experts to comply with the conditions set out in the SGEI Decision). Hence more public funding is spent on administration instead of being used for the actual SGEI.

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SGEI Decision in your Member State		Total amount for whole Member State	
		2018	2019
Article 2(1)(b)	Hospitals providing medical care, including, where applicable emergency services	€145 353 284.19	€141 245 610.24
Article 2(1)(c)	Health and long term care	€81 124 294.93	€96 792 241.53
	Childcare	€5 489 240.95	€6 977 247.90
	Access and reintegration into the labour market	€14 538 100.96	€13 549 988.26
	Social housing	€6 527 493.58	€8 079 115.47
	Care and social inclusion of vulnerable groups	€283 607 402.32	€345 393 035.54
	Other social services	€314 914 285.88	€353 877 336.23
Article 2(1)(d)	Air or maritime links	€0.00	€0.00
Article 2(1)(e)	Airports and ports	€1 943 636.99	€3 136 171.24
Article 2(1)(a) less than EUR 15 million per year	Postal services	€0.00	€0.00
	Energy	€165 169.81	€184 037.74
	Waste collection	€0.00	€0.00
	Water supply	€0.00	€0.00
	Culture	€22 020 292.25	€23 643 368.27
	Financial services	€0.00	€0.00
	Other	€62 310 862.99	€69 535 066.59

SGEI Framework in your Member State	Total amount for whole Member State	
	2018	2019
Postal services	€67 924 528.30	€18 867 924.53
Energy	€0.00	€0.00
Waste collection	€0.00	€0.00
Water supply	€0.00	€0.00
Air or maritime links	€0.00	€0.00
Airports and ports	€0.00	€0.00
Culture	€0.00	€0.00
Financial services	€0.00	€0.00
Other	€16 652 699.55	€16 243 750.11