

National Reform Programme of the Czech Republic 2019



Úřad vlády České republiky



Contents

- 1. Introduction 7**
- 2. Macroeconomic context of the National Reform Programme 8**
- 3. Structural reforms 10**
 - 3.1 Fiscal and tax policy 10
 - 3.1.1 Tax policy 10
 - 3.1.2 Budgetary framework 11
 - 3.1.3 Long-term sustainability of public finances 11
 - 3.2 Housing 14
 - 3.3 Labour market, social policy and education 19
 - 3.3.1 Labour market and employment policy 19
 - 3.3.2 Social policy 27
 - 3.3.3 Education 31
 - 3.4 Competitiveness: investment, business environment and public administration 37
 - 3.4.1 Investment policy 37
 - 3.4.2 Business environment and the internal market 41
 - 3.4.3 Regional dimension 44
 - 3.4.4 Quality of public administration 46
 - 3.4.5 Digital agenda and eGovernment 51
 - 3.5 Sectoral policies 58
 - 3.5.1 Research, development and innovation 58
 - 3.5.2 Transport infrastructure 61
 - 3.5.3 Climate change, environment, agriculture, energy and raw materials 65
- 4. Progress towards national targets under Europe 2020 73**
 - 4.1 Employment 74
 - 4.2 Poverty and social exclusion 75
 - 4.3 Education 77
 - 4.4 Research, development and innovation 79
 - 4.5 Climate and energy policy 80
- 5. European Structural and Investment Funds 83**
 - 5.1 Interconnection of the ESIF with the EU Country Specific Recommendations 83
 - 5.2 Interconnection of ESIF with national targets under Europe 2020 85

List of abbreviations

AEP	Active employment policy
CAP	Common Agricultural Policy
CEFoF	Central Europe Fund of Funds
CLLD	Community-led local development
CNB	Czech National Bank
CNG	Compressed natural gas
CR	Czech Republic
CS	Community service
CSR	Country Specific Recommendations
CTO	Czech Telecommunications Office
CZSO	Czech Statistical Office
EC	European Commission
ECOFIN	Economic and Financial Affairs Council
EFSI	European Fund for Strategic Investments
EIA	Environmental impact assessment
EIB	European Investment Bank
EIF	European Investment Fund
eGC	eGovernment cloud
EP	European Parliament
EPC	Energy Performance Contracting
ERDF	European Regional Development Fund
ESA	European Space Agency
ESF	European Social Fund
ESIF	European Structural and Investment Funds
EU	European Union
EUR	Euro (currency)
GCIS	Government Council for Information Society
GDP	Gross domestic product
GDPR	General Data Protection Regulation
FEP	Framework educational programme
HEI	Higher education institution
IADP	Integrated area development plan
ICT	Information and communication technologies
IROP	Integrated Regional Operational Programme

ITI	Integrated Territorial Investment
ITS	Intelligent Transport Systems
KETs	Key Enabling Technologies
LAG	Local Action Group
LCG	Legislative Council of the Government
LCP	Landscape Care Programme
LFS	Labour force survey
LNG	Liquefied natural gas
LTV	Loan to value (real estate)
LO	Labour Office of the Czech Republic
MB	Maternity benefit
MEYS	Ministry of Education, Youth and Sports
MFA	Ministry of Foreign Affairs
MIDI	Ministerial information and data interface
MIT	Ministry of Industry and Trade
MoA	Ministry of Agriculture
MoE	Ministry of the Environment
MoF	Ministry of Finance
MoH	Ministry of Health
MoI	Ministry of the Interior
MoJ	Ministry of Justice
MoLSA	Ministry of Labour and Social Affairs
MoRD	Ministry of Regional Development
MoT	Ministry of Transport
NACR	National Architecture of the Czech Republic
NAF	National Architectural Framework
NAP	National Architectural Plan
NAPA	National Action Plan for Adaptation
NAPEE	National Action Plan for Energy Efficiency
NDB	National Development Bank
NET	National Electronic Tool
NGS	New Green Savings
NGO	Non-governmental non-profit organizations
NHIS	National Health Information System
NIA	National Point for Identification and Authentication

NIE	National Institute for Education
NIP	National Investment Plan
NPE	National Programme Environment
NP RDI	National Policy for Research, Development and Innovation
NRP	National Reform Programme
NRQ	National Register of Qualifications
NS	Nursery school
NUTS	Nomenclature of territorial statistical units
OECD	Organization for Economic Cooperation and Development
OG	Office of the Government of the Czech Republic
OP E	Operational Programme Employment
OP EC	Operational Programme Education for Competitiveness
OP EIC	Operational Programme Enterprise and Innovation for Competitiveness
OP EN	Operational Programme Environment
OP PGP	Operational Programme Prague – Growth Pole
OP RDE	Operational Programme Research, Development and Education
OP T	Operational Programme Transport
PA	Priority Axis
PE	Pre-school education
PAP	Public Administration Portal
PCR	Parliament of the Czech Republic
PCs	Public contracts
PH	Psychiatric hospital
PPA	Public Procurement Act
PS	Primary school
PWD	Persons with disabilities
R&D	Research and development
RDI	Research, development and innovation
RDP	Rural Development Programme
RES	Renewable energy sources
RIA	Regulatory impact assessment
RIS3	National Research and Innovation Strategy for Smart Specialization
SEA	Strategic Environmental Assessment
SEF	State Environmental Fund
SEP	State Environmental Policy

SFDPA	Strategic Framework for the Development of Public Administration of the Czech Republic
SHDF	State Housing Development Fund
SMEs	Small and medium-sized enterprises
SPC	Single point of contact
SRMP	Secondary Raw Materials Policy of the Czech Republic
SUJ	Socially useful jobs
TA CR	Technological Agency of the Czech Republic
TEN-T	Trans-European Transport Network
TSU	Territorial self-governing units
UN	United Nations
USA	United States of America
VAT	Value added tax

1. Introduction

The National Reform Programme of the Czech Republic 2019 (NRP) is a strategic document of the Government of the Czech Republic focusing on economic and social policy. Its aim is to formulate key measures leading to prosperity and sustainable growth. These measures are based on the Government's programme priorities and are linked to the Czech Republic's 2030 strategic framework and other policy documents at national level. It also reflects the EU's economic and social priorities set out in the *Annual Growth Survey 2019*, which are supported by the Czech Republic. The NRP, together with the *Convergence Programme of the Czech Republic*, is submitted annually to the European Commission (EC) within the European Semester, i.e. the coordination of economic policies of the EU Member States.

The introductory part of the document outlines the macroeconomic context. The key part is an overview of structural measures, which are at different stages of preparation or implementation, and of proposals which will be further developed at national level in the upcoming period. Particular emphasis is placed on the measures through which the Country Specific Recommendations (CSRs) addressed to the Czech Republic last year are implemented, as well as measures in the areas highlighted by the EC in its *Report on the Czech Republic* from February of this year. The final part of the document evaluates progress in meeting the national targets set by the Czech Republic in relation to the *Europe 2020 strategy* targets, including the evaluation of the contribution of the European Structural and Investment Funds (ESIF).

This year's European Semester focuses on investment in the whole Europe. Through its *Report on the Czech Republic 2019*, the EC described its view on the key investment needs of the Czech Republic, which represents the EC's input into the negotiations with the Czech Republic on the *Partnership Agreement 2021–2027*. The Czech Government welcomes the focus of the European Semester on investment. The strategic approach to investment policy is one of the main priorities of the Government's policy statement. The relevant chapter of the NRP 2019 describes the government's priorities in investment policy, including work on the *National Investment Plan*.

The Czech Republic has already achieved most of the national targets set under the Europe 2020 strategy. For example, the further increase in public RDI spending is a challenge.

The NPR 2019 is the result of intensive inter-ministerial cooperation coordinated by the Office of the Government of the Czech Republic. The representatives of economic and social partners, the Parliament of the Czech Republic, representatives of regions and municipalities and other professional stakeholders were closely involved (through commenting procedures and thematic round-table discussions).

The Czech Republic's National Reform Programme 2019 was approved by the Government on 29 April 2019.¹ After getting acquainted with the NPR 2019, the EC should publish a new CSR proposal for individual states on 5 June. The Government will continuously monitor the proper implementation of each reform step throughout the year. In the autumn of this year, the Government will assess the progress in the measures in a regular report. The next update – preparation of NPR 2020 – is planned for next spring as part of the next European Semester.

¹ Please notice that the English version of the National Reform Programme 2019 is a courtesy translation, the Czech version as approved by the Government can be found at the webpages of the Office of the Government: <http://www.vlada.cz/en/evropske-zalezitosti/aktualne/the-2019-national-reform-program-was-approved-by-the-government-175178/>

2. Macroeconomic context of the National Reform Programme

The Czech economy is in good shape. Compared to the exceptionally successful 2017, however, the **growth of the Czech economy** slowed slightly in 2018. Economic growth was driven solely by domestic demand, while net exports reduced it (due to a slowdown in export growth and dynamic increases in import-intensive investment). Household consumption was supported by labour market developments, rising household incomes and high levels of consumer confidence. Investment activity accelerated considerably as it was supported by strong growth in government investment, as well as by private projects. Almost all sectors contributed to economic growth, with industry contributing the most. This corresponds to its higher volatility during the business cycle and the structure of the Czech economy.

We expect the growth of the Czech economy to be around 2.5% in 2019.² It should be driven almost exclusively by domestic demand, in particular by private consumption as well as by investment by companies and public institutions. Economic growth in the Czech Republic should be higher than in the euro area, which should lead to a continued increase in the relative economic level of the Czech Republic. The expected medium-term trend towards appreciation of the exchange rate and above-average wage growth should be reflected in an increase in the comparative price level. In terms of the price competitiveness of the Czech economy, however, the anticipated increase may not be problematic.

Since the beginning of 2017, annual **consumer price inflation** has hovered in the upper half of the tolerance band of the Czech National Bank's (CNB) 2% inflation target. It should remain within the tolerance band in 2019–2022. An increase in unit labour costs and growth in domestic demand in the context of a positive output gap should have inflationary pressure. Exchange rate appreciation or some non-market factors, such as lower VAT rates for selected commodities, will have the opposite effect on consumer prices.

In the labour market, the economic boom is reflected in the dynamic development of all important indicators, which confirms that the economy is nearing full employment. According to the *Labour Force Survey* (LFS), employment has been growing year-on-year since the beginning of 2012. The seasonally adjusted unemployment rate has been the lowest in the EU since the beginning of 2016; however, the room for further decline is very limited. This situation is also confirmed by the data on registered unemployment, which, among other things, reduces the number and share of the long-term unemployed. In many professions and regions, the gap between job demand and supply is already significant. While the lack of employees constitutes a barrier to growth in production, it contributes to a better use of the workforce and to the growth of wages and, in turn, household consumption. It also motivates some companies to invest in machines and equipment that increase productivity; however, the increasing labour costs decrease the capacity of certain companies to purchase such investment and leads these companies to postpone them.

In the short term, the shortage of workers can be partially mitigated by facilitating the conditions for employing foreigners from outside the EU, or by involving so-called “discouraged persons” (economically inactive people who are willing to work). In the medium and long term, it will be important for economic growth to ensure that the education system better prepares graduates, allowing

² According to the MoF forecast (April 2019), the growth of the Czech economy in 2019 will not exceed 2.5%. According to the EC forecast (February 2019), GDP growth is expected to reach 2.9% in 2019 and fall to 2.7% in 2020. The CNB's macroeconomic forecast (February 2019) also expects growth of 2.9% for 2019 and growth of 3% for 2020.

them to acquire the skills required to perform certain professions in the context of the digitalisation and automation of the economy. This includes those skills that will ensure their future flexibility and adaptability. On the demand side, it will be necessary to modernize production and other procedures, thus reducing the labour intensity.

In terms of the **external macroeconomic balance**, the current account balance has been positive since 2014. Surplus balance of goods and services exceeds the deficit of primary income, which is most affected by the outflow of foreign direct investment. The current account balance should continue to show a slight surplus in the following years.

There is a number of **risks** associated with the expected economic development, which we consider to be significantly deflected in the negative direction. For the strongly export-oriented Czech economy, the uncertainty associated with the UK's withdrawal from the EU is a significant risk. An increase in protectionism is also a significant external risk, particularly in trade relations between the United States (USA) and China. The potential increase of existing import tariffs or their imposition on new types of goods in mutual trade between the USA and China would, in addition to the adverse effects on foreign trade volume and its benefits, also negatively impact economic operators' confidence. Higher uncertainty could then lead to the postponement of some investment decisions. The impact of higher tariffs on imported goods and the purchasing power of consumers should also not be overlooked. However, given the high complexity of international supply chains, it cannot be excluded that import tariffs will have a number of unintended consequences, e.g. shifting production to other countries. Although the Czech Republic trades mainly with other EU countries, indirect exposure to some countries outside the EU is not negligible.

Through foreign demand, the Czech Republic would also be adversely affected by possible stagnation or recession in large advanced EU economies, and their dynamics in the following years may also pose a risk. The Czech economy could also be adversely affected by the potential escalation of the problems of the Italian banking sector. Uncertainty in the global economy is further exacerbated by the volatility of some emerging economies (Turkey, Argentina, Brazil), the slowdown in China's economic growth, and increased stock market volatility.

The cyclical development of the economy combined with low interest rates and factors that limit the supply of residential property has led to a significant increase in offer prices of apartments. Some households might not be able to repay loans if the economic situation worsens or the market rates increase, which could also affect financial stability. However, since mid-2017, the growth rate of loans for house purchase has been gradually declining due to rising interest rates, tightening credit conditions and the high level of housing prices.

3. Structural reforms

3.1 Fiscal and tax policy

3.1.1 Tax policy

The Czech Republic continues to focus on one of its main tax priorities, that is, the fight against tax evasion. Another important priority, however, is the reduction of the administrative burden of tax collection, both in the form of the *My Taxes* project and a flat tax proposal.

In the **fight against tax evasion**, the Czech Republic also strives to introduce a general reverse charge mechanism, which would significantly reduce the remaining VAT evasion. The path to this has been opened by the unanimous approval by the EU Council of Finance and Economy Ministers (ECOFIN) on 2 October 2018, following a number of years of efforts by the Czech Republic. The flat-rate mechanism may apply to all taxable transactions for goods and services for individual transactions above EUR 17,500 (approx. CZK 450,000). On 16 January 2019, the Czech Republic sent the relevant application to the EC, which would submit it to the EU Council for approval under the set rules. After the approval of the application, a legislative process will be launched in the Czech Republic, which will determine the introduction of this measure, which is expected to become effective on 1 July 2020.

Currently, there is a proposal in the legislative process that foresees the effect of electronic registration for the rest of entrepreneurs from 2020 onwards. Entrepreneurs covered by these phases will start registering sales together in one wave, which will be launched six months after the law enters into force. A lower rate of value added tax is proposed as a compensatory measure for selected labour-intensive services and some other goods³. For the smallest entrepreneurs, a simplified “paper” registration system is proposed. The proposal consists in the entrepreneur issuing receipts from a notebook that he receives free of charge at the tax office. Once every three months, he will send a special form with information on the revenues and the receipts issued and cancelled to the tax office.

In 2018, the EC drew up a proposal for a directive **on digital services tax** (DST) as an interim solution. This proposal was submitted for political agreement at the ECOFIN Council meeting in December 2018, when it was not approved, but it was agreed that negotiations would continue with the scope of the directive limited only to digital advertising (DAT). Although the Czech Republic supported the proposed directive, this compromise text of the proposal was not adopted at the ECOFIN Council meeting in March 2019. Work is currently underway to introduce a digital services tax at national level. The unilateral measure should be based on the original proposal of the EU digital services tax directive and would only be imposed on large business entities with a worldwide turnover of over EUR 750 million.

In addition, the Ministry of Finance (MoF) has started working on a government draft act, which will greatly **simplify the deduction obligations** and administration for small self-employed entrepreneurs. These entrepreneurs, whose annual income does not exceed CZK 1 million, will be able to get rid of the obligation to declare income tax, social insurance and health insurance on three different forms through a single flat-rate tax. The flat-rate tax could be paid monthly by a single payment and will

³ A significant VAT reduction should thus apply, according to the proposal, to hairdressing and barber shops, bicycle repair, shoe repair, clothing and textile adjustment and repair and draft beer sales, where it should drop from the current 21 % to 10 %. The proposal also foresees a further reduction in VAT in the catering services and in serving non-alcoholic beverages (where rates have already been reduced due to the start of the first phase of electronic registration of sales from 21 % to 15 %) also to 10%. A change in the VAT rate from 15% to 10% for land and water scheduled mass passenger transport and a reduction in the VAT rate from 15% to 10% for heat and cold supplies have already been approved.

include the minimum social and health insurance bases for the year (i.e. the amounts already required to be paid by all taxpayers) and the amount reflecting the income tax. The taxpayer who would opt for this single deduction would thus have administration obligations reduced significantly.⁴

Digitalisation of tax administration and the deepening of the client-oriented approach continue to be a priority. The *My Taxes* continues to be the flagship project of gradual digitisation of tax administration, a substantial simplification and a taxpayer-friendly approach. The expected effective date is 2020⁵.

3.1.2 Budgetary framework

1 January 2018 was the effective date of the provisions of Act No 23/2017 on **budgetary responsibility the rules** regarding the fiscal rules for territorial self-governing units. Spring 2019 will see the first assessment of compliance with the rules for the state budget and state funds as well as for local budgets. According to the MoF's current forecast, the fiscal rule of the structural balance is not expected to be violated; the debt rule for territorial self-governing units should also be met.

On 23 April 2019 the Chamber of Deputies has approved the final government draft act amending Act No 320/2001 on **financial control in public administration** and amending certain acts (Financial Control Act), as amended. The draft act extends the range of public administration bodies required to implement a financial control system, so as to cover the entire general government sector. Its adoption was required for the completion of the transposition of the EU Directive on requirements for budgetary frameworks of the Member States into the Czech law. The effective date of the amendment is 1 January 2020.

Amendment to the **Budgetary Rules Act**⁶ applicable to both the state and territorial budgets changes the conditions for grant applicants. According to the proposal, if the applicant is a legal entity, it has the obligation to identify the beneficial owner of the applicant for public support. This will be identified by the grant provider and, in the event that it is not possible to identify it on the basis of the register of the beneficial owners of the applicant, it will not be possible to provide public support. The requirement to register beneficial owners is then linked to the amendment to Act No 304/2013, on public registers of legal and natural persons, as amended⁷.

3.1.3 Long-term sustainability of public finances

In its *Sustainability Report 2018* the EC considers the Czech Republic to currently be a country without significant fiscal risks within one year and over the medium term, while facing medium risk in terms of long-term sustainability. The long-term sustainability indicator (S2) rose by about 2 percentage points from the previous value to 4.1% of gross domestic product (GDP). This is due to the projected increase in aging costs (according to *the European Commission Ageing Report 2018*), which

⁴ For example, he would not be obliged to file a tax return and would also not be subject to a tax audit. For many self-employed persons, this would mean that they would no longer have to pay accounting services, for example, which would result in additional savings each year.

⁵ It also includes the establishment of the “*MOJE daně*” portal, which will be a virtual tax office, offering taxpayers, among other things, the possibility of pre-filled tax forms, containing the basic data of the taxpayer, data on salaries from the employer or third party data that are important for the final tax assessment (information from banks or pension funds). An integral part of digitizing tax administration is streamlining tax collection using software (analytical) tools and managing control activities with IT support, in order to reduce the burden on taxpayers through control activities. Information about the MoF project is available at: <https://www.mfcr.cz/cs/verejny-sektor/dane/moje-dane/aktualni-informace>.

⁶ Parliamentary Document No 319.

⁷ Parliamentary Document No 318.

is counter-balanced by a good starting budget position, including a low level of debt. According to the analysis of debt sustainability, which complements the fiscal sustainability assessment, the Czech Republic ranks among low-risk countries.

Pension system

Due to economic development, the Czech **pension insurance balance again improved** significantly in 2018. The difference between income from pension insurance premiums and pension expenditure (excluding pension service administration expenditure), in particular due to the accelerating growth in premium income, driven by rapid wage growth and falling unemployment, has achieved a positive balance of more than CZK 20 billion. However, the continued rapid wage growth was negatively reflected in the ratio of the average old-age pension to the average wage, which dropped from 39.2% in 2017 to 37.9% in 2018, although the real purchasing power of average old-age pensions was up 2.7% year-on-year. Various measures were adopted (an increase in the basic pension assessment from 9% to 10% of the average wage and an increase in pensions of persons aged 85 and over by CZK 1,000 per month) which should prevent further decline and stabilize the retirement pension to the average wage for the nearest period.

At the beginning of 2019, a **Fair Pensions Commission** was established, consisting of representatives of parliamentary political parties, social partners, academia and interest groups. The commission will focus on the following topics until the end of the parliamentary term: low women's pensions, early retirement for people working in demanding professions, widow's and widower's pensions, and securing the future revenues of the pension insurance scheme. The Government assumes that in the coming decades pensioners will receive the decisive part of their income from the ongoing state system, which needs to be modified through parametric changes to respond to the developments in the economy and society, without these changes substantially altering the role of the ongoing pension funding system.

Finally, the *Report on the state of the Czech pension system and its expected development with regard to the demographic situation of the Czech Republic and the expected population and economic development* will be submitted to the Government in accordance with the law by mid-2019; the Report will include information on how retirement age should be determined to meet the assumption of a quarter of life spent in retirement.

Health care expenditure

The Czech Republic has consistently had high-quality health care, having a stable percentage of **health care expenditure**, as repeatedly stated by the EU, the World Health Organization (WHO) and the Organization for Economic Co-operation and Development (OECD) in their reports on Czech health care. Therefore, for the upcoming period, we are preparing a number of steps to maintain the quality and ensure the efficiency of the system.

According to health insurance plans of health insurance companies, in 2019 the total revenues of the public health insurance system should be CZK 324.8 billion, up 5.9% from 2018. This year, total expenditure is estimated at CZK 321.6 billion and the system balance should thus amount to over CZK 3 billion, which will become part of the system reserve for times of economic crisis.

This year, funds will be allocated to the various health care segments based on **agreements between providers and insurance companies**. The main spending priorities include an increase in the cost of shift allowance for hospital nurses and hospital attendants, the reimbursement of amalgam filling alternatives and modern centre care. Also this year, the quality of care is reflected in reimbursements to a greater extent.

From 1 January 2019, “reference coding” of health care services was launched for the needs of **CZ-DRG**⁸ version 1; at the same time, coding training is provided also to non-reference providers. Within the reference network, a second collection of cost and production data for 2017 took place, based on which the CZ-DRG classification system and relevant methodologies will be cultivated and the second (2019) and third (2020) versions of CZ-DRG will be published in the Communication of the Czech Statistical Office (CZSO). A simulation tool will be created in Q2 2019 to assess the impact of the introduction of CZ-DRG (or its part) in reimbursement mechanisms on individual health service providers.

An important measure to ensure the effectiveness of the Czech healthcare system is the **upcoming primary care reform**. In February 2018, the Ministry of Health (MoH) set up the Primary Care Reform Working Group, which produced a detailed material containing a summary of the necessary changes in primary care. These include extending the competences of general practitioners and clear definition of competences in relation to outpatient specialists and specialists in general, ensuring motivation factors for ensuring practice in peripheral locations, increasing the availability of care (associated practice), etc. The MoH will use this material to set a schedule according to which individual priorities will be implemented in the following period.

In view of the **lack of qualified professionals** in the various health care segments and the threat posed by population aging in this area, in 2018 the Czech Republic adopted a number of specific measures to support the personnel stabilization of healthcare workers, including a gradual increase in remuneration in health care and investment to increase education capacities⁹, as well as measures such as reducing the administrative burden on healthcare providers. In 2018, the MoH also set up the Working Group for Personnel Stabilization in Health Care to address the issue. However, the MoH necessarily needs an adequate, strategic and long-term sustainable solution aimed at the recognition of workers’ living needs, increasing system efficiency and improving the working environment.

In January 2019, the National eHealth Centre was set up as the implementer of the **digitalisation of health care**. This process will also be underpinned by the new law¹⁰ planned for 2020. The gradual introduction of a full-featured e-prescription, including the planned features of e-prescription’s 2nd stage, is successful, new features for users are added and the system is widely used by doctors, pharmacists and patients. Virtually 100% of doctors and pharmacies were actively involved as of 31 December 2018¹¹. Mobile health (mHealth) and telemedicine technologies are becoming increasingly involved in health care, reducing the number of necessary outpatient visits and hospitalizations for chronically ill patients.

The eRecept information system is ready for the greatest upcoming change in 2019, which is the long-awaited shared patient medicine record, including the development of other functionalities such as duplicate prescription control. **The amendment to the Pharmaceuticals Act**, which is to enact the shared medicine record, is now in the legislative process.

⁸ *Diagnosis-Related Group*.

⁹ In addition to the above, there was also an agreement in the inpatient care segment on the average increase in basic reimbursements by 5% compared to 2018, an increase in salary tariffs in Annex 3 (health workers performing non-medical health professions, social workers and social services workers) by 7% and salary tariffs in Annex 4 (doctors and dentists) by 7% in salary grades 11 to 13 and by 2% in salary grades 14 to 16, and there were investments of CZK 7 billion to increase the capacities of medical faculties by 15%.

¹⁰ Act on health care digitisation, safe data sharing between health service providers and on the National Health Information System

¹¹ 41,864 doctors, 2,894 pharmacies and 17,083 health care facilities. A total of 58.5 million e-prescriptions were issued, 56 million e-prescriptions were used, and 70.7 million e-prescriptions items were given out.

3.2 Housing

According to the CZSO data, in 2018 the **prices of apartments** in the Czech Republic have increased by almost 45% since 2010 (and by more than 67% in Prague). Apartments are becoming an attractive investment commodity, being rented out as business projects through online platforms for private tourist rental (e.g. Airbnb). On the other hand, this is accompanied by insufficient supply of housing due to low development activity, which is affected by the long permitting processes of construction management.

That said, having own housing by purchasing the property continues to be the preferred option in the Czech Republic. According to CNB statistics, housing loans to households at the end of 2018 amounted to more than CZK 1,131.4 billion, building savings loans amounted to CZK 84.8 billion and other real estate loans to CZK 29.6 billion. In recent years, the high volume of new loans has been facilitated by both low interest rates and household income growth. This created a systemic risk: raising interest rates on this type of credit and potential reduction in incomes, which may occur at a time of economic downturn, could cause problems with repayment in a significant number of households. About one fifth of Czech households are repaying housing loans. Most often they are couples with children. Low-income households also take out mortgages or building savings loans.

The year 2018 was predominantly marked by rising rates and CNB regulation; the CNB raised interest rates five times. The CNB has issued an update of its risk management recommendations for limiting the provision of mortgages, which has been in effect since 1 October 2018. Rising interest rates, regulation and apartment price levels contributed to halting the mortgage market growth at the end of 2018 and to its year-on-year decline in Q1 2019.

The Ministry of Regional Development (MoRD) is the coordinator of the *Housing Policy of the Czech Republic 2020 (revised)*, which was approved in 2016 and according to which the state's basic mission is to create a stable environment strengthening the personal responsibility of its citizens. As part of the revision, new priorities and new related tasks were set with a deadline in 2020. In 2019, work will begin on gathering background material for the new housing policy 2021+.

In response to the current developments on the housing market, a discussion was held between the MoRD and the Ministry of Labour and Social Affairs (MoLSA) on the issue of **affordable housing and the possibilities of supporting it**. Non-insurance social security benefits play an important role in ensuring the availability, preventing the loss and the keeping of housing for low-income households. The Ministry of Labour and Social Affairs is currently preparing proposals for parametric changes to housing benefits aimed at simplifying the system, activating beneficiaries and limiting them to those who are poor and actually using housing, providing benefits only for habitable spaces and for changing the amount of eligible housing costs without leading to the loss of housing. At the same time, the *Social Housing Strategy of the Czech Republic 2015–2025* is being revised.

Housing support programmes

The **current support** is provided especially through the MoRD's *Housing Support* programme, which is focused on the construction of social housing rental apartments for people with difficult access to housing due to special needs arising from their adverse social situation – age, health or social circumstances of their life. The grants may be provided to the listed types of legal persons, including municipalities. They are provided under the grant title *Nursing apartment*, which is intended for those aged 65+ or persons with disabilities (PWDs). The amount of the grant per apartment is up to CZK 600,000. The allocation for 2019 is CZK 150 million. Another grant title is *Elderly Community House*, which will extend the offer of social rental housing for the those aged 60+ to preserve and extend their self-sufficiency and independence, while allowing a community-based lifestyle based on the principle

of neighbourly assistance. The amount of the grant per apartment is up to CZK 600,000. The allocation for 2019 is CZK 120 million.

The *Wheelchair-accessible apartment houses* sub-programme is intended for owners or co-owners of apartment buildings and unit owners associations to remove construction barriers when entering the house and the elevator and to build elevators in houses with four or more above-ground floors that do not already have one. The grant may reach up to 50% of the project costs and is subject to other restrictions depending on purpose. The allocation for 2019 is CZK 190 million.

The *Technical infrastructure* sub-programme aims to support the installation of utility networks in municipal land parcels for the subsequent construction of residential and family houses. The municipality is the beneficiary of the grant. The grant amount is CZK 80,000 for one land parcel connected to utilities on which a residential building must be built within 5 years after the use permit of the supported technical infrastructure. The allocation for 2019 is CZK 40 million.

The State Housing Development Fund (SHDF) supports housing through the following programmes:

Prefabricated concrete buildings 2013+ is a programme which will enable the provision of loans with discounted interest for repairs and modernization of prefabricated concrete as well as brick apartment buildings. The allocation for 2019 is CZK 250 million.

Construction is a programme which will offer discounted low-interest loans to applicants, including natural and legal persons, including municipalities, to purchase rental apartments intended for specified groups of persons. These groups include those aged 65+, minors under the age of 30 or persons with low income, persons with disabilities, or persons who have lost housing due to a natural disaster. 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. Interest rate is from 0.75% p.a.¹²

Regeneration of housing estates is a grant and loan programme for municipalities focused on the regeneration of public spaces in housing estates. The grant may be supplemented by a loan. The allocation for 2019 is CZK 100 million.

Programme for municipalities – loans provided with guaranteed interest throughout the repayment period for modernization of the housing stock. It will not be open in 2019.

Youth support is a new programme opened in 2018 to support the purchase or repair of apartments. This discounted loan with a limited amount, depending on its purpose, is intended for young people up to 36 years, both for apartments and family houses. Support in the form of a grant can be provided upon the birth of a child in the amount of CZK 30,000, by a reduction of the principal of SHDF loan. The allocation for 2019 is CZK 950 million.

On 15 April 2019, the government approved a **new regulation** allowing financial support for municipalities and towns that would like to purchase houses or apartments for social housing. The proposal was developed in close cooperation with municipalities. The programme called *CONSTRUCTION of social and affordable apartments* will be implemented through the SHDF, which will provide the support, and municipalities as investors and apartment operators. The programme will support the lease of social rental apartments owned by municipalities intended for households which suffer from housing failure, and available rental apartments owned by municipalities for the general population in municipalities with insufficient rental housing infrastructure. The programme will thus

¹² In 2018, the budget for the implementation of Government Decree No 284/2011 was CZK 270 million; four contracts for CZK 350 million were concluded for the construction of 237 rental apartments (for the elderly, disabled or otherwise handicapped citizens and adults under the age of 30). In 2019, CZK 380 million is earmarked in the budget for the implementation of this programme, with the possibility to support the construction of approximately 420 flats.

clearly declare the state's effort to increase the support of rental housing in the Czech Republic. It will be possible to acquire both social apartments and houses, as well as available houses or combine the acquisition of social and affordable apartments in one building in so-called "mixed houses". Investment subsidies of up to 100% of the investment costs and low-interest loans with long-term repayment period will be provided for the acquisition of social housing.

Improvement of law enforcement and functioning of housing co-ownership

The Ministry of Regional Development, in cooperation with the Ministry of Justice (MoJ), has prepared an **amendment to the Civil Code** and the Act on the transfer of ownership rights to units and group family houses of some housing cooperatives.

After the new Civil Code came into effect, practical functioning of housing co-ownership has brought interpretative problems. After the amendment, the legal regulation of housing co-ownership should be more complete, clearer and internally coherent. In particular, the proposal addresses issues related to house and land administration prior to the formation of a unit owners association, the issue of the formation of a unit owners association, and the legal regulation on that specific legal person, as well as issues related to the rights and obligations of the unit owner.

It proposes a change in adopting changes to declarations; the actual legal regulation of the declaration is based on the approach according to which the declaration focuses on the existence of housing co-ownership, but only in matters relating to its subject matter. It is also proposed that the statutory requirements of the declaration include the ratio of the house administration contributions and land administration contributions per unit.

Further regulation is driven by the effort to **simplify and accelerate the formation of owners associations** and also to more accurately describe the administration of the house and land without the formation of a unit owners association. It regulates the competences of the assembly and its decision-making, the rights and obligations of unit owners, the reporting obligation of unit owners, and changes the procedure for the forced sale of the unit of an owner that fails to meet its obligations towards the unit owners association.

It proposes **regulation of the transfer of the unit owner's debts** upon the transfer of the unit and addresses the problematic pre-emption right in relation to the co-ownership interest in another unit which includes a non-residential space forming an accessory to the unit being transferred.

Extending the scope of competence of the State Housing Development Fund to include the support of regional development

The Ministry of Regional Development submitted a legislative proposal amending Act No 211/2000 on the State Housing Development Fund and certain other acts. Its aim is to extend its scope of competence to include other activities which are related to the support of regional development and which are within the competence of the MoRD. In relation to this, it proposes a change of its name from SHDF to State Investment Support Fund (SISF), which better reflects its extended focus. In addition to housing, the SISF will also support investments related to the sustainable development of municipalities, cities and regions, housing and tourism, in line with policies, strategy papers, programmes and other documents approved by the Government.

At the same time, it is also proposed to explicitly incorporate the application of the Financial Control Act to the SISF's procedure for checking the correctness of the data stated in the applications and compliance with the conditions for the provision and use of SISF's funds, thereby ensuring a greater consistency of the conditional parameters of individual applications with the announced terms of individual supports.

Regulation of real estate agency market

The proposal of the Real Estate Brokerage Act and amending Act No 455/1991 on licensed trades aims at improving the relations in the field of real estate brokerage, which are not yet regulated by legislation, which should especially bring higher protection of clients of real estate agents.

Other more general objectives include the establishment of conditions for providing real estate brokerage, approximation of conditions for providing real estate brokerage in the Czech Republic and in other EU countries, where this activity is usually regulated by special laws and is subject to clear rules; as a result, better competitiveness of Czech real estate agents in the single European market can also be expected.

The Act also implements Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing (AML), in the sense of increasing the requirements for the criminal record of entrepreneurs and beneficial owners of legal entities doing business this area.

Under this Act, real estate brokerage will be transferred to qualified trades where the activity requires the necessary qualification to be achieved by education or a combination of education and practice, or by education in the field of professional qualification. An important element strengthening the clients' security is, in particular, the compulsory liability insurance of real estate brokers for the damage caused, the mandatory written form for the real estate brokerage contract, its mandatory requirements and its maximum notice period, the obligation of the real estate broker to present to the client certain documents (insurance document, extract from a public register, etc.) or more detailed regulation of commissions.

Financial sector stability in the context of mortgage loans

The **banking sector** is the cornerstone of the financial sector in the Czech Republic. At present, it has a record-high level of capitalization, profitability and liquidity, as well as a high repayment rate. It has sufficient space for credit financing. The total amount of housing loans in domestic banks increased markedly in 2018 to reach CZK 1,245 billion (up CZK 97.8 billion year-on-year). According to the latest available CZSO data from 2017, housing loans were taken out by 21.1% of Czech households, incl. lower income households.

The real estate market continues to grow in terms of prices and transaction activity, and its potentially unfavourable development could increase the vulnerability of the Czech banking sector. Given that mortgages are a crucial part of the domestic bank's portfolios, the conditions for starting a spiral between mortgages and the prices of property purchased by these mortgages continue to be the most significant source of risk to domestic financial stability.

Therefore, in order to reduce the associated risks, the CNB gradually stepped up its **macroprudential policy** in 2017 and 2018. Since April 2017, the recommended LTV of a residential property has been 90% and the total volume of residential property loans with 80–90% LTV should not exceed 15%. Since October 2018, the recommended debt-to-income ratio (DTI) is 9x and the debt-service-to-income (DSTI) is 45%.

Social housing

Currently, an update is underway of the *Social Housing policy of the Czech Republic 2015–2025*, which is the Government's basic strategic document on **housing need** and its solution. The preparation of the Promotion of affordable Housing Act has been initiated. This piece of legislation should also cover social housing. The first proposal of the act should be ready in March 2020.

Inaccessible or poor quality housing has long been a fundamental problem that is yet to be resolved. Poor-quality housing with disproportionately high rents is subsidised by the State through housing

benefits, and the regular housing market is closed or severely restricted for some groups of people¹³. According to the 2011 Population and Housing Census, the average age of occupied residential buildings in the Czech Republic was 52.4 years for apartment buildings and 49.3 years for family houses. The average age of occupied apartments was 46.5 years. Compared to other EU countries, the housing stock of the Czech Republic is older. Compared to developed European countries, the flats in the Czech Republic are smaller.¹⁴

MoLSA estimates that there are about 68.5 thousand people without housing in the Czech Republic, and another 119 thousand people are at risk of losing their home. The most common reasons for **homelessness** are debt (90.0%).¹⁵ About 37% of Czech children live in households that have a housing problem (insufficient heating, moisture and leakage, lack of space, noise, dirt and vandalism in the neighbourhood)¹⁶. Housing support through housing benefits has long been showing a downward trend. In August 2018, there were 36.8 thousand housing supplementary payments amounting to CZK 146 million (compared to August 2017 with 50.4 thousand payments in the amount of CZK 190 million) and 142 thousand housing benefits amounting to CZK 497 million, compared to 166 thousand benefits in the amount of CZK 577 million in August 2017.¹⁷

The Ministry of Labour and Social Affairs implements the **system project** *Social housing – methodological and information support in the area of social agendas*, which aims to transfer good social housing practice from abroad to the Czech Republic, to carry out analyses necessary for the introduction of the social housing system and, in cooperation with sixteen municipalities of the Czech Republic, to prepare and pilot test methodologies concerning social work with social housing clients.¹⁸

2019 saw the ongoing implementation of social housing support through support for the **construction of nursing homes** and elderly community homes, as well as the continued provision of grants from the Integrated Regional Operational Program (IROP) under SO 2.1, with a total allocation for social housing from the European Regional Development Fund (ERDF) of EUR 137,459,145, i.e. approximately CZK 3.5 billion. It is clear from the announced calls that the interest of municipalities and non-governmental non-profit organizations (NGOs) is very high. So far, project plans for CZK 4.6 billion have been submitted, but their evaluation has not been completed.

SHDF is used to create social apartments within the **existing programme** *Construction*, which allows applicants to obtain a soft loan for the construction of social apartments for defined target groups (seniors, disabled persons, young people under 30, low-income persons, persons affected by natural disasters).

Another tool will be the already mentioned programme *CONSTRUCTION of social and affordable*

¹³ ČERNÝ, Jan, JÁRA, Martin, ed.: *Sociální diskriminace pod lupou: metodika identifikace diskriminačního jednání a doprovodných negativních jevů v bydlení a zaměstnávání*.

Available at: <https://www.clovekvtisni.cz/media/publications/76/file/1362497428-publikace-socialni-diskriminace-pod-lupou.pdf>

European Union Agency for Fundamental Rights: *Housing conditions of Roma and travellers in the EU, Comparative report* (2009). Available at: http://fra.europa.eu/sites/default/files/fra_uploads/608-ROMA-Housing-Comparative-Report_en.pdf.

¹⁴ MoRD, Department of Housing Policy: *Selected data on housing 2017* (June 2018). Available at: <https://www.mmr.cz/getmedia/0c9fbe5f-3f44-48b0-9db8-ed6ac83fb41d/Vybrane-udaje-o-bydleni.pdf.aspx?ext=.pdf>

¹⁵ MoLSA (2015): *Evaluation of the survey of homelessness solutions in municipalities with extended powers*.

¹⁶ Median (2017): *Impacts of poor housing on children*.

¹⁷ Available at: https://www.mpsv.cz/files/clanky/34352/Informace_o_vyplacenyh_davkach_v_srpnu_2018.pdf

¹⁸ Selected municipalities provide people in housing need with a part of the apartments from their housing stock. They increase the efficiency of operation of the social housing stock, and improve the provision of social work in relation to social housing. Some municipalities also introduce “crisis flats”. The project also focuses on preventing the loss of housing.

apartments, which the government approved on 15 April 2019. Under the new programme, social housing is intended for disadvantaged households which, for some reason, are unable to provide for housing under market conditions that is reasonably sized, affordable, meeting quality standards and not in an excluded area. In social apartments, the municipality, as their operator, must ensure the availability of social work. In social and mixed houses with more than 12 social apartments, it is also necessary to provide house services to ensure the safety and technical and financial sustainability of operating the social apartments. The aim of supporting the acquisition of **affordable apartments** is to complement the missing infrastructure in municipalities and to ensure a social mix to prevent segregation.

3.3 Labour market, social policy and education

3.3.1 Labour market and employment policy

2018 saw the continuation of the **favourable labour market trends**, characterized by falling unemployment, rising employment and rising number of reported job vacancies. According to the latest available EUROSTAT data for 2018, the unemployment rate in the Czech Republic was 1.9%, while in the EU28 the average was 6.8%. The Czech Republic has long had the lowest unemployment in the EU28. This favourable development is influenced by the consistently good condition of the Czech economy.

As of 31 December 2018, the **share of unemployed** persons decreased by 0.7 pp year-on-year to 3.1%, the number of job seekers decreased by 49,086 persons to 231,534, and the number of reported vacancies increased by 107,781 to 324,410. In particular, professions with lower qualification requirements are most in demand. Job vacancies are thus dominated by job opportunities where employers require only basic education as a minimum (2/3 job offers). Significant labour shortages are further observed in craft professions and among specialists.

The decrease in unemployment was synergistically accompanied by an increase in **employment**; in 2018 the employment rate in the 20–64 age group reached 79.9%, which was up 1.4 percentage points from 2017. Thus, the employment rate has reached a much higher level than the Europe 2020 target (75%).

The favourable labour market situation is reflected not only in the general decline in unemployment, but also in the decline in unemployment of those who are considered disadvantaged on the labour market. This is facilitated by the individual approach of employment services to people on the labour market, especially to at-risk job seekers.

In 2018, the female employment rate continued to increase, in the 20–64 age group, women recorded an increase in employment of 1.4 pp to 72.2%. However, the most significant increase was achieved in the age groups 35–39 (by 2.7 pp to 77.6%) and especially in older age groups, i.e. 55–59 (by 2.6 pp to 82.6%) and 60–64 (by 4.1 pp to 33.9%).

While older age groups show that women become economically inactive later as a result of a gradual increase in retirement age, the increase in employment of middle-aged women suggests improving opportunities for the a work-life balance, especially for mothers of pre-school and early school children (the mean age of mothers giving birth is 30 years). Part-time work has long been under-represented in the Czech labour market. However, in recent years, the share of part-time workers in total employment has been increasing. In women, it increased from 8.5% in 2008 to 12.3% in 2018.

Active employment policy

The active employment policy (AEP) not only responds to the current labour market needs, but also has a preventive character capable of supporting the transformation of the Czech economy to a higher added-value economy capable of integrating the most vulnerable groups of people into the labour market. Therefore, through the streamlining of individual targeting, the preventive function of tools aimed at people with difficult employability in the open labour market is synergistically strengthened. They can be supported by community service (CS)¹⁹ and socially useful jobs (SUJ) for up to 24 months, while the standard support period is 12 months. SUJs are being pilot tested for a change in the determination of the amount of wage contribution through the financial participation of the employer. The participation decreases with the seriousness of the disadvantage of the person in the labour market / with the accumulation of these disadvantages.

Retraining supported by the European Social Fund (ESF) for employee training is provided directly by employers. These include, in particular, the project *POVEZ II*, where employers are provided with a contribution for employee training and their payroll costs for the period of their participation in training.

For 2019, the Ministry of Labour and Social Affairs is preparing **an employment package** consisting mainly of a proposal for a comprehensive review of AEP tools and measures with the aim of adapting it more to labour market requirements and supporting economic transformation through increased retraining flexibility and professional development of employees. It also includes a proposal for a tool to address the expected impacts of automation and cybernetization, i.e. support for those employees who are threatened by job losses by the introduction of new technologies or manufacturing processes. Finally, it will enact the use of a prediction system and subsequent streamlining of retraining to better meet the current demands of the labour market.

The approval of MoLSA's **new strategic employment policy document** – *Strategic employment policy framework 2030*, which sets its basic priority areas for the next decade, is expected in 2019. Its key areas include the response to population ageing and the impact of the digitalisation and robotisation on the labour market.

In 2018, there were changes in support for **employing PWDs**. The existing administratively demanding and inflexible system of defining individual sheltered jobs has been replaced by the recognition of an employer as a sheltered labour market employer. In essence, it is a detailed audit that will eliminate the abuse of support provided on the sheltered labour market. The aim of this change is to streamline the control and monitoring activities of the Labour Office (LO) in the area of protected labour market.

At the same time, employers are now obliged to submit to the LO an annual report with prescribed structure on their activities in order for the LO to obtain relevant data on the employers employing more than 50% of PWDs. After its evaluation in 2019, this information will be the basis for deciding on the future direction of the system of support for employing PWDs. Furthermore, partial modifications to the system of support for employing PWDs with the aim of eliminating its abuse are planned for 2019.

The favourable situation on the labour market is reflected in a decrease in the unemployment of **disadvantaged groups** – i.e. PWDs, job seekers older than 50 years, under 25 years, persons caring for children under 15 years or the long-term unemployed. The most significant decrease in 2018 was seen in the long-term unemployed (job seekers registered for more than 12 months), whose share in total job seekers decreased from 33.7% as of 30 June 2018 to 26.1% as of 31 December 2018, a

¹⁹ The CS is used primarily for job seekers with a disability accumulation requiring longer-term job support.

decrease of almost 15,000 in absolute terms, with a particularly significant decrease in the number of people with extremely long unemployment. The share of job seekers registered for over 24 months decreased by 5.6 pp, from 23.3% as of 30 June 2018 to 17.7% as of 31 December 2018. A decrease in the share was recorded in all regions of the Czech Republic.

The first outputs were presented by the project *Evaluation of efficiency and effectiveness of AEP implementation*, which proved that the AEP instruments improve the position of supported persons in the labour market and lead to their easier integration in the labour market. Positive effects are achieved especially in the case of long-term unemployed people, especially the SUJ instrument shows a relatively lower return of supported persons to unemployment.²⁰ However, CS shows a much higher share of exceptionally disadvantaged persons among supported persons. In 2019, the project will continue and plans to evaluate retraining courses.

Employment services also focus on preventing, in particular, long-term **youth unemployment**. In this context, the role of *Youth Guarantee* LO projects can be emphasized. Although these projects are intended primarily to target young people at risk of long-term unemployment, especially those with low educational attainment, they also aim to return them to education.

In addition to resources from the ESF, national resources will also be necessary to ensure the described reform steps and effective implementation of AEP instruments. For the year 2019, CZK 1.3 billion has been allocated from the State budget for the implementation of all AEP instruments.

Social Enterprise Act

Submitted by the Office of the Government of the Czech Republic and co-submitted by the Ministry of Industry and Trade (MIT), the upcoming act aims to support the business activities of companies where it is possible to employ long-term disadvantaged people in the open labour market. The planned side-effect is to reduce the number of the long-term unemployed. In particular, the proposal of the Social Enterprise Act defines a social enterprise and an integration social enterprise, administrative proceedings on the granting and withdrawal of social enterprise status, setting the conditions of control, and regulates the State policy for the development of social economy.

This Act will be followed by the *Social Entrepreneurship Development Strategy*, which will define specific benefits for social entrepreneurs. Its preparation will be coordinated by the MoLSA. Social enterprises also continue to be supported through IROP in individual projects, as well as through integrated instruments of Integrated Territorial Investments (ITI), Integrated Area Development Plans (IADP) and Community-led Local Development (CLLD).

Adoption of the definition of family business

In connection with the resolution of the European Parliament and the Opinion of the European Economic and Social Committee on Family Businesses, on 28 March 2018 the Economic Committee of the Chamber of Deputies of the Czech Parliament adopted Resolution No 45, in which the MoJ, in cooperation with the Ministry of Industry and Trade, the Ministry of Finance and the Ministry of Regional Development, is instructed to analyze the current situation and to implement steps to adopt the definition. This issue was also discussed by a working group consisting of representatives of the MoJ, MoF, MoRD, Ministry of Agriculture (MoA), MIT and Association of Small and Medium Enterprises (AMSP). Based on the analysis and conclusions of the working group, it was decided to adopt a non-legislative solution, i.e. adopt a definition in the form of a government resolution. The document *Definition of family business in the Czech Republic* is now ready for submission to the Government.

²⁰ In the case of CS, the return to the register of job seekers is higher – approximately 60%.

Women's participation in the labour market

The potential of Czech women in the labour market is not sufficiently exploited. Although the **employment rate of** women in the Czech Republic is above the EU average, the Czech Republic has long had highest impact of parenthood on the employment of women. Within the EU, the Czech Republic has the second highest gender pay gap (21.1% in 2017, the EU average of 16%; 11% after adjustment).

The project *22% TO EQUALITY* aimed at reducing **the gender pay gap** will involve in the upcoming period the preparation of an *action plan for equal pay*, which will propose concrete measures to reduce the gender pay gap. The project involves key actors in this field, such as the State Labour Inspection Office, the Office of the Public Defender of Rights (Ombudsman's Office), the Labour Office, social partners and specific private and public employers.

Among the outputs are the analysis on the current gender pay gap in the Czech Republic and its historical development²¹, online payroll calculator, where everyone can calculate the usual salary²², the transformation of Swiss software Logib for the Czech Republic and its pilot testing, which will enable organizations to test their salary policies in an unbureaucratic and anonymous way, etc.²³

The Office of the Government continued to implement a project focused on the implementation of the *Government Strategy for Gender Equality in the Czech Republic 2014–2020*. In 2018, several awareness-raising activities were carried out, including a roundtable on exchanging good practice between private and public administrations on promoting gender diversity and work–life balance.

In October 2018, an international conference on unequal pay was held with the participation of the Ombudsman's Office, the civil sector and the Institute of Sociology of the Academy of Sciences of the Czech Republic. Among other things, the conference discussed the possibility of transferability of measures promoting wage transparency from Germany and the United Kingdom to the Czech Republic. Following the conference, the Ombudsman is preparing a recommendation on legislative measures to reduce the gender pay gap.

The Government Resolution of 30 May 2018 approved the *Standard of the Position of Ministry Gender Equality Coordinators*. Its aim is to strengthen and unify the application of the gender perspective within the individual ministries. The implementation of gender audits continued at ministries.

The Office of the Government also continues to carry out the **awareness campaign *This is Equality!*** aimed at communicating gender-related issues to the general public.

As part of its activities, the Technology Agency (TA CR) has been involved in the issue of **low participation of women in R&D**. One of the tools for increasing the participation of women in R&D is the ZÉTA programme, which targets young researchers and gives bonuses to projects with gender-balanced research teams.²⁴

²¹ Available at: <http://www.rovnaodmena.cz/wp-content/uploads/2017/12/Aktuální-rozdíly-v-odměňování-žen-a-mužů-v-ČR.pdf>

²² According to education, region, work experience and job position.

²³ Project documents are available at: <http://www.rovnaodmena.cz/>. This page will contain a further study, which contains a detailed analysis of the factors affecting the remuneration of women and men.

²⁴ The ZÉTA programme has also participated in the international project Gender Net Plus under Horizon 2020's ERA NET Cofund. The TA CR also supports the gender approach in the Horizon 2020's GEECCO project, which aims to promote gender equality in technical fields and to integrate the gender dimension into the content of knowledge and innovation.

Childcare services

Affordable, accessible and high-quality childcare services are one of the most important tools in keeping in touch 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.

Children's Group Act²⁵ sets the basic parameters of the childcare services also for children from one year of age (until the start of compulsory school attendance) 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 31 December 2018, the MoLSA registered 875 children's groups with approximately 11,600 places for children.

Operational Programme Employment (OP E) continues to support children's groups with adjusted scale of unit costs, both for the establishment of new children's groups and for the operation of existing ones. The MoLSA also continues to implement the project *Support for the Implementation of Children's groups*, which provides comprehensive counselling and methodological support for children's group providers to implement the Children's Group Act until the end of 2020. The project includes the creation of a nationwide register of children's groups, methodological data for parents and providers or web communication platform of providers.

Since 2016, the project *Support for the implementation and pilot testing of childcare service for children from six months to four years in "micro-nurseries"* saw pilot testing of childcare services in "micro-nurseries" for children from six months to four years of age. The project is planned to be implemented by the end of 2020. **Micro-nurseries** offer care for children in small groups of up to four children and are usually established by the municipality or NGOs in cooperation with the municipality. Their advantage is that they can also be founded by mothers themselves on parental leave. Currently, there are 69 new micro-nurseries with almost 300 places registered throughout the Czech Republic. In January 2019, additional calls from the ESF and OP E to support micro-nurseries were announced. The project also includes a review of the education standards of persons caring of the youngest children in order to improve the quality and expertise of the service²⁶.

Currently, according to the *Family Policy Strategy* measures, an **amendment to the Children's Group Act** is being prepared, which aims to improve the quality of the services provided, to introduce a new care service for the youngest children in the above-mentioned micro-nurseries (enactment of the service) and to provide a system of national funding for these facilities.

In ensuring the current capacities of children's groups and micro-nurseries and maintaining the current version of planned funding from national sources, the MoLSA requires approximately CZK 1 billion from the State budget, which will ensure the placement of 14,500 children in these facilities. The introduction of children's groups and micro-nurseries creates additional jobs for caregivers.

²⁵ Act No 247/2014 on the provision of childcare services in children's groups (and amending related acts) effective from 29 November 2014.

²⁶ In the context of current calls to promote micro-nurseries and children's groups, it is possible to take an exam for the professional qualification of a *Nanny* and pay the exam costs through grants from the ESF.

Measures to promote work-life balance

Weekly **paternity leave**²⁷ as a measure contributing to a better work-life balance is an important signal of the State that fathers must be involved in childcare since the child's birth. Paternity leave can be taken within six weeks after the child's birth. The paternity allowance is 70% of the reduced daily assessment base per calendar day. A total of 43,442 fathers applied for this allowance in 2018. Available data on the number of births and cases of payment of the allowance show that an estimated 40–45% of fathers receive the paternity allowance monthly.

On 1 June 2018, an amendment to the Sickness Insurance Act introduced a new sickness insurance benefit – **long-term care allowance**, which amounts to 60% of the daily assessment base. The Labour Code imposes an obligation on the employer to agree to the absence of an employee at work during the long-term care provision (max. 90 days), unless prevented by serious operational reasons, and the obligation to return the employee to his/her original position and workplace after the end of the provision of such care. If this is not possible because the original position or workplace has ceased to exist, the employer is obliged to assign the employee to a position according to his/her employment contract. The introduction of long-term care benefits not only financially supports caregivers but also strengthens intergenerational ties within the family. The new benefit was paid in 3,239 cases (of which 2,505 were women).

In 2019, the Ministry of Labour and Social Affairs continues to implement a systemic project *Coordination of measures to promote work-life balance at regional level*, which aims to improve the coordination of national and regional family support policies through a network of regional consultants and national and regional platforms. Currently, an application for an extension of the project by 2 years (i.e. until 2021) is being prepared due to the extension of the existing key activities and of the target groups to include employers.

The family package

The MoLSA is currently preparing a so-called family package, which is a set of four legislative materials that will be submitted to the government at the same time to improve the quality of life of families with children in the Czech Republic.

- 1) **Amendment to the Children's Group Act**²⁸ – Its effective date is expected on 1 January 2020; the effective date of its part governing the financing of children's groups and micro-nurseries is expected on 1 January 2021.
- 2) **Indexation of parental allowance** in accordance with the measure in the *Family Policy Strategy*. An amendment to the State Social Support Act is currently being prepared, which proposes an increase in the total amount of parental allowance to CZK 300,000, as well as the abolition of the 46-hour limit for placing children under two years in pre-school facilities. The effective date is proposed to be 1 January 2020.
- 3) **Advance maintenance** for those entitled to maintenance determined by the court, with a family income of up to the specified threshold (or, alternatively, with no income test). The amount of maintenance would be paid in the amount determined by the court, but not more than the percentage of the average monthly wage in the national economy in the defined statutory age categories. The effective date is proposed to be 01/01/2021.
- 4) **Introduction of shared jobs**
The upcoming amendment to the Labour Code envisages the enactment of the institute of a shared job as a special working scheme for employees. According to the proposal, the employer will have

²⁷ Introduced on 1 February 2018 by an amendment to the Sickness Insurance Act.

²⁸ See also subchapter *Childcare services*.

the possibility to agree with two or more part-time employees having the same type of work that in the shared job they will schedule their working hours themselves by mutual agreement so that each of them fulfils their agreed weekly working hours. The sum of the weekly working hours of employees working in one shared job may not exceed the set weekly working hours. The act can be expected to come into effect from 1 January 2020.

Sourcing workers in sought-after professions from abroad and the integration of foreigners

In 2018, positive economic development continued in the Czech Republic, confirming the trends apparent in previous years. The demand for labour driven by economic growth continued to grow. This significantly increased the number of vacancies reported, whose number as of 30 June 2018 exceeded the number of registered job seekers.

Thus, a number of regions and sectors are experiencing a shortage of job seekers. Demand for labour is driven mainly by the increasing demand for jobs requiring medium and lower qualifications; employers require no more than basic education in almost 2/3 of the reported vacancies.

The shortage of labour is addressed by specific support for **managed labour migration** from abroad. In 2018, the number of long-term residence permits for the purpose of employment issued to third-country nationals newly entering the Czech Republic doubled compared to 2017. The residence was given to more than 23 thousand foreign workers. The main source country was Ukraine. Of the 121,086 Ukrainians in the Czech Republic, approximately 60% have free access to the labour market and the rest need permission to work (i.e. work permits, blue cards or employee cards).

As of 31 December 2018, there were over 570,000 foreign nationals on the Czech labour market. Of these, only 15% need some type of permission to work, others may enter the labour market freely²⁹. The foreign employment has been rising steeply in recent years, which is a long-term trend. Over the past two years, the year-on-year increase in the number of foreign workers has always been almost 100,000 (383,000 foreign workers worked at the end of 2016, 473,000 at the end of 2017, 570,000 at the end of 2018).

The labour migration of third-country nationals to the Czech Republic is largely managed through migration projects and special treatment regimes, which prefer workers of Czech employers meeting the criteria for participation in these projects and regimes.

In order to support the arrival of **highly qualified**³⁰ foreigners from third countries, the Czech Republic has projects *Fast Track* (with an annual quota of 300 persons), *Welcome Package for Investors* (with a quota of 100 persons) and *Pilot Project: Special Procedures for Highly Qualified Workers from Ukraine and India* (with a quota of 500 for each of the two countries). Indian citizens were newly included in the project target group in autumn 2018.

Medium and low skilled³¹ foreigners can benefit from the *Special Treatment Regime for Qualified Workers from Ukraine* (with an annual quota of 19,600 persons), which in 2018, in a similar form under the *Other Countries Regime*, was introduced for the citizens of Serbia (with a quota of 2,000 persons), Mongolia (with a quota of 1,000 persons) and the Philippines (with a quota of 1,000 persons). Employers' representatives consider these measures to be short-term and non-systemic, but at the present time they are very much needed in view of maintaining or accelerating GDP growth and maintaining the Czech Republic's competitiveness. Since the end of 2018, the minimum number of

²⁹ EU citizens and third-country nationals with permanent residence in the Czech Republic, family members of third-country nationals with long-term residence for the purpose of family reunification, family members of EU citizens, recognized refugees and asylum seekers (after 6 months from submission) and others; for more details see: https://portal.mpsv.cz/sz/zahr_zam/zz_zamest_cizincu/zz_volny

³⁰ According to CZ-ISCO class 1–3.

³¹ According to CZ-ISCO classes 4–8.

employees that an employer must employ, if they want to be included in the Ukraine regime, is reduced from 10 to 6, which has helped the smallest companies, which are also suffering from labour shortages.

For 2019, a **revision of the system of projects and regimes** is planned with the aim of reducing their growing number, transforming them into programmes approved by the Government in order to achieve economic benefits for the Czech Republic and to unify the current conditions of implementation and criteria for the inclusion of foreigners and their employers. Extension of the programmes to include other countries and providing a wider set of benefits to highly skilled workers is being considered.

A draft **amendment to the Act on the Residence of Foreign Nationals in the Czech Republic**, is currently in the legislative process, by which the Employment Act is also to be amended.

This amendment should contribute positively to ensuring the necessary workforce for the Czech labour market by:

- Introducing a long-term residence permit for the purpose of seeking a job, which will be issued for a period of 9 months to foreigners who have completed their university studies or scientific research in the Czech Republic and wish to remain in our country and pursue gainful activities.³²
- Authorizing the government to set **maximum numbers of employee card applications** to be collected annually at individual embassies abroad. Within the overall quota for each authority, separate transparent quotas will be set for highly qualified and medium and low skilled applicants, giving them priority over unskilled workers.
- **By introducing an extraordinary work visa** (it is activated by a Government Decree for cases of labour shortages on the Czech labour market at a time of a significant shortage of workers in the Czech and European labour markets in some sectors). The Government Decree sets out, among other things, the source countries, economic sectors and the volume of migration. The Government Decree will thus allow for a flexible response to the labour market situation.
- **Shortening the so-called “labour market test” for up to 10 days** (so far, a reported job vacancy is offered and published by a regional branch of the Labour Office for at least 30 days from its announcement).

The **foreigner integration policy** is an integral part of legal migration; it aims to support harmonious cohabitation with foreign nationals and prevent negative phenomena. Measures in the area of integration of foreigners are governed by the updated *Foreigners Integration Policy – In Mutual Respect*, adopted by the Government in 2016. Tasks arising from the Policy are refined every year; the current document is the *Procedure for the Implementation of the Foreigners Integration Policy – In Mutual Respect for 2019*.

The Ministry of the Interior (MoI) supports integration projects of self-government, municipalities and NGOs and a network of regional Foreigner Integration Support Centres. The centres provide for active creation and implementation of a regional integration strategy in accordance with the foreigner integration policy of the Czech Government and provide integration services to foreigners. In 2018, the Foreigner Integration Support Centre network was strengthened by the opening of 5 new branches in the Central Bohemian Region (Benešov, Kladno, Kutná Hora, Mladá Boleslav, Příbram), in which no centre has ever existed.

³² The measure is part of the implementation of Directive 2016/801/EU on the conditions of entry and residence of third-country nationals for the purposes of research, studies, training, voluntary service, pupil exchange schemes or educational projects and au pairing.

The amendment to the Act on the Residence of Foreigners in the Czech Republic newly introduces the obligation to undergo a one-day adaptation-integration course after the arrival in the Czech Republic within 1 year for selected categories of third-country nationals. The measure should enter into force in early 2021. In addition, the amendment introduces from mid-2020 a new form of funding for the Foreigner Integration Support Centre from the State budget (currently, the centres are financed from the EU Asylum, Migration and Integration Fund), with the possibility of outsourcing.

The Czech Republic has become a target country for foreigners from all over the world in recent decades. The share of foreigners in the total population in the Czech Republic is one of the largest in the regional comparison with the neighbouring Central European countries of the former Eastern Bloc. Following the migration crisis, migration has become a contentious topic. However, we are confronted with foreigners in our everyday lives and we coexist without major problems. In addition to good integration policy, working with public opinion and educating the general public are crucial.

Preventing undeclared work

The year 2018 saw the continued trend from previous years when the number of illegally working foreigners was significantly higher. This trend also reflects the current labour market situation, characterized by labour shortage. However, the key factor is the economic motivation, where health and social insurance is not paid by employers for these illegally employed foreigners, and these employers gain an unfair competitive advantage.

In 2018, regional labour inspectorates carried out a total of 8,339 inspections aimed at detecting **illegal employment**. These inspections identified 4,583 illegally employed persons, of which 763 were citizens of the Czech Republic, 3,595 cases were foreigners from third countries (especially nationals of Ukraine, Vietnam, Moldova and Serbia), and 225 cases were citizens of EU Member States (most often nationals of Slovakia, Romania and Bulgaria). In addition to the traditional illegal employment, labour inspectorates often face the abuse of the institute of worker posting as part of the provision of services by an employer established in another EU Member State and the abuse of agency employment. Inspections aimed at detecting illegal employment, agency employment and abusing the institute of worker posting are the priorities for the Labour Inspectorate for 2019.

Within the above-mentioned proposed amendment to the Act on the Residence of Foreigners for the purpose of **detecting counterfeit work permits**, the Ministry of the Interior, the Ministry of Foreign Affairs and Embassies of the Czech Republic will be entitled to access the Single Information System for Labour and Social Affairs in a manner allowing remote access to obtain data on work permits issued by regional branches of the Labour Office for the purposes of permitting entry of foreigners to and their residence in the Czech Republic, and the Police of the Czech Republic will have the same right for the purposes of residence inspection.

3.3.2 Social policy

In 2019, the Government continues to implement the *Social Inclusion Strategy 2014–2020*, which is a national programme for social inclusion, and also the *Strategy for the Prevention and Addressing of Homelessness in the Czech Republic 2020*. The Report on the Implementation of the Social Inclusion Strategy 2014–2020 will be submitted to the Czech Government by 30 April 2019 and the Report on the Implementation of the Strategy for the Prevention and Addressing of Homelessness in the Czech Republic 2018 by 30 June 2019.

In 2018, work began on the preparation of the new *Social Inclusion Strategy* for 2021–2030. Work on the preparation of the *Strategy for the Prevention and Addressing of Homelessness* for the period 2021–2030 will be carried out in the second half of 2019.

The Research Institute for Labour and Social Affairs will carry out a census of homeless people and people in unsatisfactory housing conditions in the Czech Republic. Its results will be available by the end of 2019.

Intensive negotiations are under way between the MoLSA and the MoH on addressing socio-health issues related to **homelessness** (e.g. the possibility of providing health care in the field, extending health care – the project “Doctor’s office for homeless people”). The Ministry of Labour and Social Affairs is also preparing proposals for increasing the personalisation of housing benefits.

Social work and social services

As part of the **amendment to the Social Services Act**, the conditions for the performance of social work of obliged public administration entities will be specified and the performance of social work under delegated powers will be extended to cover municipal authorities with delegated powers. In order to unify the professional competences of social workers, the proposal includes a reduction of the fields whose studies enable this qualification to be acquired and specifies the conditions for further education of social workers and social services workers and the related process of accreditation of educational programmes.

For effective multidisciplinary and interdisciplinary cooperation, refining and facilitating the methodological guidance by the managing ministry and in favour of unifying reporting, the proposal specifies the definition of social work activities, enacts terminology and defines the content of key methods of social work used by social workers. The Ministry of Labour and Social Affairs will prepare a **proposal of the substantive outline of the Social Work Act** and submit it to the legislative approval process.

Concrete steps in the area of social services are part of, for example, the approved *National Strategy for the Development of Social Services 2016–2025*. **The transformation and deinstitutionalization of social services** is carried out with the support of the MoLSA system project *Life Like Any Other* and an Inter-ministerial Group for Deinstitutionalization of Social Services was established. It contributed, among other things, to the creation of the *Action Plan for Deinstitutionalization 2019–2021*.³³

Among other things, this document aims to reduce the number of people living in institutional facilities and to ensure the associated prevention of institutionalization. Another objective concerns the subsequent transformation of deinstitutionalized facilities, support for clients in the natural environment and the continuous increase in the availability of community-based services. Finally, support for the reform of psychiatric care, which has a significant impact on social services.

Modification of the long-term health and social care system

This measure aims to set up a **comprehensive system of assistance** to ensure the efficient and financially sustainable provision of long-term care services on the boundary between social and health areas. It focuses on people who need health and social services at the same time due to unfavourable health condition as well as unfavourable social situation.

The aim is to clearly define the role of the MoLSA and MoH in long-term care services integrating the necessary health and social services with the effective use of existing capacities in the health and social services system. A necessary prerequisite for ensuring quality and affordable social and health care is the interconnection of both systems (the patient/client passes from one or the other system).

³³ It set out four basic target groups that should be most affected by deinstitutionalization. These were divided into groups of persons with disabilities, persons with mental illness, the elderly and children at risk, incl. young dependent adults.

Since April 2018, the **Coordination Working Group of the MoLSA and the MoH have been working to set up social-health services** and to ensure the provision of care, support and assistance for those in need. Its aim is to create a systemic, legislative and non-legislative proposal for the creation of conditions for high-quality and effective functioning of services on the social-health boundary with the aim of ensuring their availability in the Czech Republic. The interconnection will be implemented by an amending law³⁴, for now only in the institutional care segment. By the end of 2019, it is planned to prepare a draft of this Act, which will include a proposal for a lump-sum payment for the nursing day, common terms of registration and personnel standard. Changes in care quality are also envisaged.

Active ageing

Given the **demographic projections** (ageing of the population), the main goal continues to be a change in the attitude of individuals and society to ageing, to ensuring dignity for all, to improving the participation of older people in society and to promoting active ageing to prevent social exclusion and health problems.

In order to systemically provide for the ageing preparation agendas, work is underway on the new **strategic material for 2019–2025**, which now includes the current political priorities of the Government (to be submitted to the Government for approval in 2019). It focuses on preparing the state administration as a whole for demographic changes, the issue of old-age income, housing, accessibility in public space, providing support and care (health and social), lifelong learning, promoting labour market mobility or active ageing as a whole.

Older persons, including those at risk of social exclusion, were supported in 2018 by the grant programme *Support for publicly useful activities of national senior and prosenior organizations* with a grant of CZK 18 million for 2018, by the grant programme for the support of self-government in the area of ageing with an allocation of CZK 20 million for 2018, and the grant programme *Family- and senior-friendly municipality* with a grant of CZK 10 million. The same amounts are foreseen for 2019.

Under OP E, in 2018 the systemic project *Implementation of the Ageing policy at regional level* continued, its main objective being the implementation at the level of self-government, which is closer to the citizens than the state administration. In 2018, the project supported the functioning of 14 counselling points in the regions provided by regional coordinators (one in each region). These coordinators are involved, *inter alia*, in the emergence and operation of expert regional platforms on ageing policy, composed of experts on related topics. In 2019, the platforms will meet a total of two times and aim to participate in the drafting of regional documents on ageing. Compared to 2018, the component of round tables for the public was strengthened for 2019 on topical issues of senior policy and preparation for ageing in individual regions.

In this project, a so-called **senior envelope** was developed in 2018 (a card where seniors, with the help of relatives or their general practitioner, fill in basic information about their allergies, diseases, medicines and contacts details of their close persons and the general practitioner and place it a visible place in their home; the information can be used in the case of intervention by rescuers to decide on the severity of the condition, optimal on-site therapy or whether the person should be transported to a medical facility). Awareness-raising about and disseminating this measure will continue in 2019.

During 2019, a **handbook with examples of good practice** will be developed as part of this project with strategic and concrete measures to support ageing people and seniors at the level of self-government. As part of awareness-raising activities and informing the general public and specific

³⁴ Act No 372/2011 on health services, Act No 108/2006 on social services, Act No 48/1997 on public health insurance, and possibly others.

social partners, the MoLSA regularly organizes an international conference on the occasion of the International Day of Older Persons on 1 October. In 2018, its topic was entitled Financial Impacts of Population Ageing and Sustainability of Public Finances; for 2019, the topic Seniors and Human Rights in the Czech Republic is planned.

The issue of **long-term care** and support for **informal caregivers** is addressed by the project *Support for informal caregivers II*, financed from OP E (within the project, there are regular meetings of expert and “laymen” groups on the topic of informal care, and the collection and processing of informal care data, which was so far absent in the Czech Republic). A strategic document is drawn up to inform about the difficult situation of informal caregivers with proposals for measures to support them, and a handbook for caregivers with specific information on how to deal with this situation. As part of an accredited programme, the Further Education Fund educates workers in self-government, labour offices and social services in the field of informal care. This project will be completed on 31 May 2019 and its outputs will be used by the MoLSA for its strategic activities.

Over-indebtedness

At the beginning of 2019, an **amendment to the Insolvency Act** was adopted, making the institute of debt relief available to a wider range of honest debtors by removing the barrier of examining whether the debtor is able to repay at least 30% of their claims to unsecured creditors, while taking into account creditors’ interests in fair settlement. Furthermore, it optimizes the procedural side of the debt relief institute and emphasizes the importance of supervision of the debtor primarily by the insolvency administrator. The new dominant method of debt relief is the fulfilment of the repayment schedule with the sale of the assets. In this context, the debtor’s adequate dwelling, which he may keep under this method, is protected (however, the protection does not cover dwellings used to secure the claim).

At the same time, debtors will be able to fulfil debt relief after 3 years if they repay at least 60% of the unsecured creditors’ claims. The standard 5-year regime is modified so that the debtor achieves debt relief if he fulfils all obligations under the approved debt relief method (he does not give cause to the cancellation of the approved debt relief) and makes every effort that can be reasonably required of him to fully satisfy the creditors’ claims.

A rebuttable presumption is made that the debtor has made such efforts if he has repaid to unsecured creditors at least 30% of their claims. If he has paid less, an insolvency court will assess the debtor’s efforts, and if he concludes that the debtor has indeed sought to achieve honest settlement with the creditors, it will also decide to grant the debt relief, even without the debtor having achieved any qualified percentage of claim satisfaction.

The Ministry of Labour and Social Affairs has established an **Inter-ministerial working group on strengthening financial literacy and preventing over-indebtedness**.³⁵ The main objective of the expert group, consisting of representatives of individual ministries, representatives of non-profit organizations and academia, is to improve the position of people with low financial literacy and at risk of over-indebtedness propose solutions to over-indebtedness and analyze the current state of support and capacity of service providers in the area. *Debt Counselling – the What and the How in Several Steps* is a document created during the meetings of this working group on the basis of the requirements of individual municipalities. It serves as a basic tool for the workers of municipal authorities, but also for the self-governing bodies of smaller municipalities.

³⁵ The working group is an expert group of the Social Inclusion Commission, which was set up in 2017. The Commission is an advisory body to the Minister of Labour and Social Affairs on the fight against poverty and social exclusion.

Moreover, in March 2019, a government decree on non-recoverable amounts was approved³⁶ with effect from 1 June 2019. Its aim is to motivate debtors who are in execution or insolvency to economic activity and to achieving higher income, which would also be used to satisfy the creditors through deductions. The amendment to the government regulation doubles the amount above which the rest of the net debtor's wage is deducted without restriction, thus extending the interval in which income is divided into thirds and distributed between the debtor and his creditor.

Thus, an increase in the income (beyond the current limit above which deductions are unlimited) will increase the amount available to the debtors (for own consumption and normal reasonable expenses) after deductions so that its maximum level is better aligned with current price and income level and its determination does not result in the concealment of part of the income or pushing debtors towards the grey economy. The limit of the net wage (salary) above which the debtor's deducted from wages (salary) without restrictions, will increase from CZK 16,072 to 25,715 (excluding maintenance obligation).

3.3.3 Education

In 2019, the Czech Republic will prepare its *Education Policy Strategy 2030* and the *Strategic Plan for Higher Education Institutions*, which will identify key priorities for the following period.

Pre-school education

The Ministry of Education, Youth and Sports (MEYS) has announced a **development programme** *Funding for the overlapping of direct teaching activities of teachers, taking into account nursery school operation*, which aims to improve the quality of pre-school education by securing personnel for overlapping direct teaching activities of nursery school teachers, which are based on Chapter 7 *Pre-school Education Conditions* for Framework Educational Programme (FEP) for pre-school education. The purpose of the grant will be to cover the costs of staffing overlapping of direct teaching activities in nursery schools.

In 2019, the fifth call will be implemented as part of the programme *Development of educational capacities of nursery and primary schools set up by territorial self-governing units*, whose actions must be completed by 31 August 2019 and the last sixth call, for which the deadline for the receipt of grant applications was on 1 September 2018, all actions of this call must be completed by 31 January 2020. By implementing the actions under the fifth and sixth calls will result in **35 new nursery school classes** with an increase in the registration capacity for 751 children.

At present, the occupancy of nursery schools is about 90% of total reported capacities. The share of admitted children under the age of three is around 12.5% in the last three years, while there are 40% of children under the age of three in nursery school in relation to two-year-olds. The share of three-year-olds in nursery school in the population is around 83%. These children are legally entitled to be admitted to the catchment nursery school.

Basic education

The applicable legislation is amendment to Decree No 48/2005 on basic education and certain requirements for compliance with compulsory schooling, as amended, and some other decrees, in connection with changes in the **funding of regional education**. The decree also follows up on the Government Decree No 123/2018 on the determination of the maximum hours of teaching financed

³⁶ Government Decree of 19 March 2019 amending Government Decree No 595/2006 on the method of calculating the basic amount which may not be deducted from the monthly wage of the obliged person when executing a decision, and on the determination of the amount over which wage is subject to deductions without limitation.

from the State budget for primary schools, secondary schools and conservatories established by the region, municipalities or associations of municipalities. The Decree will come into effect on 1 January 2020. Methodological and information support for the management of primary schools and their founders will continue. The new legislation ensures that the rules for determining the number of pupils in the elementary school are in line with the new rules laid down for funding pedagogical work.

In 2019, work will continue on **revisions of the FEP** for basic education. The aim is unambiguously and obligatorily define the scope and content of education common for all, which should be the basis for the individual development of each pupil. The development of literacy, digital and polytechnic education and IT thinking will be strengthened. The importance of developing practical skills related to modern technologies will be strengthened.

Two **investment programmes** will be implemented in 2019 in this area. In addition to the *Development of educational capacities of nursery and primary schools set up by territorial self-governing units* (see above), this also includes the programme *Support for selected projects for the development of educational capacities of primary education set up by municipalities*, which aims to implement specific major projects to build new primary schools.

A total of 115 new classrooms for 3,400 primary school pupils in areas near Prague, which have a problem with compulsory school attendance, should be created from this programme by 2023. During the summer of 2016, the Ministry of Education, Youth and Sports commissioned a detailed demographic analysis and identified locations with insufficient schooling capacity. Eight municipalities in the “ring” around Prague and two peripheral districts in Prague were identified by the analysis. In 2018, the programme was supported by a grant of CZK 376,849,572. For 2019, a total of CZK 901,150,428 is allocated in the State budget, which can be provided as a grant.

Inclusion in education

In 2010, the Czech School Inspectorate (CSI) identified the inequalities in education of socio-economically disadvantaged children and their impact in the evaluation of PISA results. The Czech Republic occupies a leading position among the countries in which socio-economic conditions have a negative impact on pupils’ achievements.³⁷ With the number of socio-economically disadvantaged children at school, there is an increasing likelihood that the school will not mitigate the negative impact of the disadvantaged background of the pupil and even reinforce these negative effects on pupils’ results.³⁸

Inequalities in education thus represent one of the most pressing problems addressed by the *Education Policy Strategy of the Czech Republic 2020*³⁹ and which are one of the three key priorities of this strategic document. Therefore, the priority objective of education policy is to achieve significant reduction in inequalities in education in the coming years through a comprehensive improvement in the quality of the whole education system.

That said, the strategy focuses not only on formal equality in access to education, but on the ability of the education system to create conditions and apply effective procedures to effectively prevent and compensate for health, social, cultural and other personality disadvantages so that the inequalities in

³⁷ The biggest disparities were recorded in Japan, followed by the Czech Republic. For details see OECD (2010): *PISA 2009 Results Overcoming Social Background: Equity in Learning*. Available at <https://www.oecd.org/pisa/pisaproducts/48852584.pdf>

³⁸ According to the PISA testing the Czech Republic is second only to Japan. Equality and quality in education, support for disadvantaged pupils and schools.

³⁹ MEYS (2014): *Education Policy Strategy of the Czech Republic 2020*. Available at http://www.vzdelavani2020.cz/images_obsah/dokumenty/strategie-2020_web.pdf

achieved results are as little as possible determined by factors that an individual cannot influence, and that all pupils and students achieve at least the basic common level of knowledge and skills.

The second amendment to Decree No 27/2016 on the education of pupils with special educational needs and gifted pupils was implemented on 9 March 2018. School counselling facilities (SCFs) started to recommend teacher's assistants as a support measure, depending on the complexity of the activity he/she performs. SCFs assess which of the two existing forms (upbringing and education) is desirable for fulfilling the pupil's rights in a given case. Since 9 March 2018, the new legislation has also allowed for wider possibilities to scale the activities of teacher's assistants according to the necessary time. The SCF recommends the form that best meets the pupil's needs.

The Decree, as in effect from 1 November 2018, regulates the rules for adapting the conditions of admission to secondary education for pupils with special educational needs. It introduces the concept of a supporting person, who accompanies the applicant during the entrance examination, as recommended by the SCF.

An amendment to the above-mentioned Decree is currently being prepared, whose main objective is to improve the implementation of joint education on the basis of the identified weaknesses of inclusion, by reducing administrative burden on the part of schools and SCFs, by specifying the rules for the use of support measures, offering other options for addressing unsuccessful integration of pupils, adjusting the number of pedagogical workers in classes, etc.

1 September 2018 was the effective date of the amendment to Decree No 48/2005 on primary education and certain requirements for compulsory school attendance. In connection with the upcoming change in the funding of regional education, it regulates the minimum number of pupils in schools and sets the maximum weekly number of teaching hours in the preparatory class and in the preparatory stage class of special primary school financed from the State budget.

Increasing school quality

There is ongoing implementation of the *project Comprehensive evaluation system*, the aim of which is to complete the methodology for closer linking of external evaluation and school **self-evaluation** within the **school self-evaluation activities**.

During 2018, some of the outputs with which it is possible to work within activities aimed at strengthening the quality of schools were published. For example, these are an analysis of foreign approaches to assessing key competencies, a report mapping the possibilities of monitoring inclusive approaches at school level, secondary analyses of PISA 2015 and TIMSS 2015 results focused on the impact of selected aspects of education on student results or the publication with relaxed roles from PIRLS 2016.⁴⁰

At the same time, an **educational programme** was implemented for primary and secondary school teachers focused on utilizing the didactic potential of tasks released from international surveys aimed at improving the quality of teaching mathematics and science subjects and promoting the development of pupil literacy. Another important measure is to support and broaden the methodological dimension of the CSI's work to share assessment methods, procedures and tools, provide qualitative and formative feedback, conduct educational audit of schools' strengths and weaknesses, including suggestions and recommendations for improvement, and develop and offer methodological programmes for senior pedagogical workers and various other types of pedagogical workers, provide

⁴⁰ Analytical reports (including a summary of key findings) are available from:
<https://www.csicr.cz/cz/Dokumenty/Publikace/Sekundarni-analyza-Moderni-metody-vyuky-a-ICT-pohl>
and <https://www.csicr.cz/cz/Dokumenty/Publikace/Sekundarni-analyza-Vliv-slozeni-tridy.-metod-uplat>

schools with specific forms of inspiration for improving teaching in initial education, taking into account the causes and context defined in CSI evaluation activities.

Support for pedagogical and non-pedagogical workers

In 2019 and in the following period, the Ministry of Education, Youth and Sports will strive to create conditions for ensuring sufficient **personnel capacities** of pedagogical and non-pedagogical workers, increasing the attractiveness of the teaching profession, in particular by creating conditions for the growth of salaries of employees in regional education. The aim is to improve the quality of education and upbringing in schools and school facilities. Support of mentoring teachers is important to increase the attractiveness of the teaching profession and to retain new teachers.

Vocational education and training

In recent years, the gradual **automation and digitalisation** of production technologies has led to significant changes in the labour market in the requirements for secondary vocational education graduates. The education qualifications system now includes fields of education that are required by the labour market. At present, the demands on secondary education reflect the need to focus on strengthening the common elements of the general base in secondary education, emphasizing the development of key competences not only with a view to long-term success in the labour market and further training, creating the right conditions for graduates to transition to work, but also facilitating the transition of disabled and socially disadvantaged pupils to higher vocational or higher education.

In the following period, the MEYS will again focus on improving the quality of **vocational education**. It will innovate practical teaching in relation to professional success corresponding to the defined range of related occupations and expected, justifiable labour market needs. This measure will include the preparation of a standard of quality for company and school workplaces where practical teaching takes place. In accordance with the draft text of *the Long-term Plan of Education Policy 2019–2023* the MEYS will initiate systemic involvement of the competent ministries (according to the links between the sectoral breakdown and system of qualifications) in the support of appropriately oriented schools or fields and the involvement of employers' unions into the direct and indirect support of schools. These steps will include the involvement of employers in the vocational training of pupils and students, determining their roles, including the role of other ministries.

In accordance with the announced experimental verification of the organization and course of the education model enabling the achievement of secondary education with a vocational certificate (category H fields) and secondary education with the *maturita* examination (category L fields) in selected secondary schools, the MEYS will implement a category of education fields into the system of education fields, which will allow third year students to get the vocational certificate and fourth year students to get the *maturita* exam. The 2012 experimental verification is one of the ways to practically apply Section 58(5) of Act No 561/2004 as amended by Act No 472/2011. Since 2012, 60 SSs have been involved in experimental verification.

Higher education

In September 2018, two years had passed since the effective date of the so-called **big amendment to the Higher Education Institutions Act**⁴¹ (HEI), which significantly transformed the approach to quality assurance at HEIs towards greater emphasis on HEI responsibility. The main instrument, which combines greater autonomy with an emphasis on responsibility, is institutional accreditation. During 2018, the National Accreditation Office for Higher Education awarded institutional

⁴¹ Act No 137/2016

accreditation to a total of eight HEIs. Several other HEIs have already submitted their application or are systematically preparing for the submission, so the transformation of higher education will continue in line with the amendment.

The issue of students completing study programmes and fields accredited before the big amendment to the HEI Act was resolved by a mass extension of the accreditation period for the completion of studies by current students until 2024 (Act No 168/2018).

In the area of **financing** in 2018, the most significant change was the introduction of a new state budget financing rule, which, in order to compare the results achieved in performance and quality indicators, divided HEIs into four segments where the achieved values of individual quality and performance indicators are compared separately (only between HIEs in the segment). Segment one consists of public art HIEs, segment two is non-university HIEs, segments three and four include the remaining schools divisions divided with respect to their size and performance in research and development. At the same time, in 2018, a long-term financial measure was approved to increase the capacities of the medical faculties of the Czech Republic for the period 2019–2029, which responds to the situation in general medicine in an effort to address long-term societal demand for certain higher education qualifications. Almost CZK 7 billion is earmarked for this measure for the next 10 years.

In 2019, support for the **education of future teachers** will be increased. Pedagogical faculties and other faculties preparing teachers will receive targeted support increased by CZK 35 million compared to 2018. A major challenge in the coming period for funding scientific activities at universities will be the completion of the new *Methodology of Research Organizations Evaluation* for the purposes of their institutional funding.

Another priority for 2019 is to develop the quality of educational activity; in this area, the Ministry of Education, Youth and Sports will organize a seminar to share experience in improving the quality of teaching and pedagogical skills, or introducing a national award for outstanding HEI teachers. Important national and international surveys of HEI students and graduates will be evaluated and implemented. The Graduate 2018 and Eurograduate surveys, which collected data in autumn 2018, will be evaluated. Data will be collected in Eurostudent VII, a HEI students survey. These surveys will serve as a source of information for the strategic decision-making of the Ministry.

High attention will also be paid to the control and regulation of the activities of foreign higher education providers in the Czech Republic in order to prevent the provision of low-quality non-accredited education and to avoid deceiving prospective students.

Further education

Further education is becoming more and more needed with the advent of new technologies and trends, including due to the process of digitalisation and robotisation. 2019 will see the further development of the **National Register of Qualifications (NRQ)**, a register of professional qualifications existing on the labour market in the Czech Republic. The NRQ allows candidates to obtain a nationally recognized certificate of their professional qualification, also by recognizing the results of non-formal education and informal learning.

The NRQ is enacted in the Act on the recognition of further education results.⁴² It was created with the aim to motivate the adult population in the Czech Republic to further education, to expand the possibilities of individuals to gain new qualifications and to improve their employability in the labour market, improve the response of the education system to the needs of the labour market and link up initial and continuing education.

⁴² Act No 179/2006 on the verification and recognition of further education results and amending certain acts.

Master craftsman's exams are being prepared, which will allow apprentices with a five-year experience to obtain a Master Craftman's Certificate. The Master Craftsman's Exam will offer apprentices the opportunity to grow professionally as part of their further education and strengthen their competitiveness in the labour market. At the same time, it will offer a new perspective to those interested in apprenticeship, which will also contribute to increasing the attractiveness of apprenticeship and craft fields.

Support for **lifelong learning** (both civic and professional) for the entire population, including the inclusion of 55+ and 65+ age groups in education, is becoming increasingly important. The vision of modern education should be based on the principle of lifelong learning and aim to build an open environment that allows each individual, indiscriminately and unhindered, to learn for the entire life.

3.4 Competitiveness: investment, business environment and public administration

The current level of investment in the Czech Republic has reached historical highs and the Czech economy is in good shape, but increasing productivity (especially domestic firms) is still a challenge. The government is therefore focusing on better identification of investment needs by the following measures, especially in the areas of innovation support, education and infrastructure building. The Government is also committed to improving the business environment, improving the quality of public administration and, in general, to making domestic businesses take full advantage of the EU's internal market.

3.4.1 Investment policy

National Investment Plan (NIP)

On 21 January 2019, the **Government Council for Public Investments** was established, which is a new body at the Governmental level, whose task is to coordinate and assess large investment projects in the Czech Republic. Its members are, in addition to the Prime Minister, who is also the chairman of this Council, the ministers of the Ministries concerned. The main function of this newly established body is (besides others) the preparation of the *National Investment Plan*, which will show through specific projects how the Czech Republic will fulfil its visions and show a clear direction to all investors (both public and private). The NIP will include the investment of all public investors (ministries and regions) – thus enabling a comprehensive view of investment plans, making their prioritization more effective.

The NIP aims to **transform** public investment **management**; NIP strives to unify the view of the investment strategy in the Czech Republic. The idea is to analyze all strategic plans, regardless of their implementer, by a uniform methodology and at the same time to assess not only the individual contribution of individual projects, but also their interaction – that is, the synergistic effect arising from their combined action. Furthermore, to include in the evaluation the analysis of the mutual crowding-out effect, i.e. the mutual negative effects. Furthermore, the NIP should contribute to the selection of projects that contribute to the fulfilment of one strategy valid for the entire territory of the Czech Republic.

National Concept of Cohesion Policy Implementation in the Czech Republic after 2020

On 4 February 2019 the Government was submitted the *National Concept of the Cohesion Policy Implementation in the Czech Republic after 2020* – the basis for the *Partnership Agreement 2021–2027*. A total of 5 national priorities were agreed to define the Partnership Agreement and the operational programmes for EU's cohesion policy funds for the following period:

- the development of an economy based on research, innovation and the application of new technologies
- low-carbon economy and responsible use of resources
- accessibility and mobility
- educated and socially cohesive society
- sustainable territorial development

Coordination of the preparation of the programming period of EU cohesion policy funds for the new programming period 2021–2027 is entrusted to the Ministry of Regional Development, which the Government instructed to submit, by 31 July 2019, the final version of the *National Concept of Cohesion Policy Implementation in the Czech Republic after 2020* and information on the progress

towards the *Partnership Agreement 2021–2027*, which will be the overarching and determining strategic document for drawing EU funds.

Capital market development strategy

In addition to promoting public investment, the Government also seeks to promote **private investment**. Currently, the Czech Republic is among the countries with the highest savings rates in the EU, with citizens holding 51% of their financial savings on bank accounts (often with very low yields) and only 12% on the capital market. Similarly, loans (25.5% of corporate capital) dominate in the financing of Czech corporations, compared to listed shares (4.2%) and bonds (3.6%).

Therefore, on March 4, the Government approved the *National Strategy for the Development of the Capital Market in the Czech Republic 2019 – 2023*, with the aim of making better use of the capital market potential to redistribute free financial resources from savers and investors (households) to entrepreneurs who need to finance their development. In addition to supporting households and businesses, the Strategy also includes measures to support professional capital market participants and greater involvement of the State. The Strategy defines the basic principles of capital market regulation, which are: stable, suitably set and predictable regulatory environment; a bottom-up approach where changes in regulation are primarily market-driven; and investor protection to ensure fair and equitable treatment of market participants and confidence in the capital market.

Financial instruments

In the Czech Republic, a broader use of financial instruments is planned within the ESIF than in the past. Compared to the previous programming period 2007–2013, the volume of funds in this area should almost double. Capital inputs are a new form of financial instruments launched in the Czech Republic in 2018. In January 2017, an agreement with the European Investment Fund (EIF) was concluded to create a venture capital fund. Its purpose is to make capital inputs through selected financial intermediaries (private funds) in the development of Czech innovative start-ups. The fund allocation is EUR 40 million from OP Enterprise and Innovation for Competitiveness (OP EIC) and EUR 10 million from EIF funds; additional resources for individual funds are to be obtained by financial intermediaries from private sources. During 2018, contracts were prepared with two financial intermediaries focused on the *accelerator & seed* phase. In the first half of 2019, selected financial intermediaries are expected to make their first investment in innovative businesses so that funds can be spent by the end of 2023.

At the same time, the Czech Republic, through the MIT and the Czech-Moravian Guarantee and Development Bank (CMZR) joined in late 2017 the **Central Europe Fund of Funds (CEFoF)**, which is also implemented by the EIF. The project also involves Hungary, Austria, Slovakia, Slovenia and the International Investment Bank. In the following years, the fund will support the creation of regional private equity funds aimed at investing in more advanced growth-oriented companies seeking capital investment for their further development. CEFoF invests through selected private funds in emerging companies in the expansion phase. The Czech contribution to the CEFoF will amount to EUR 8 million from the State budget. The total investment capital of the CEFoF, after including all other investor contributions, amounts to EUR 97 million, of which the Czech Republic's share is 8.45%.

Other private investment funds are raised by individual selected funds at the level of **financial intermediaries**. The leverage of public resources should be at least 3.3x the final investments. CEFoF implementation has been very successful since its launch in December 2017. 2018 saw the launch of two investment funds focusing on innovative businesses on the Czech market, funded by the CEFoF (ESPIRA and ENERN TECH II). These funds have already carried out the first acquisitions of shares in innovative industries in the Czech Republic. Therefore, the start of the project can be considered

successful and the chances of meeting the set target of supported Czech companies can be considered very good. Currently, the EIF is selecting additional financial intermediaries and expects investment activity to increase. The life of the fund of funds (investment period) is set at a total of 17 years.

Through the CMZR, the Czech Republic is also involved in the activities of the **European Fund for Strategic Investments** (EFSI), providing so-called counter-guarantees, which will enable the support of a larger number of projects than would be possible with the existing resources of CMZR and MIT. In 2019, new guarantees for small and medium-sized enterprises (SMEs) of over CZK 3 billion are planned through the national programme GUARANTEE 2015–2023. In total, it is expected that 5 thousand business projects totalling CZK 15 billion should be supported thanks to the EFSI counter-guarantee. The *VADIUM 2018–2023* also supports SMEs by providing guarantees to facilitate access to procurement contracts and, finally, *Inostart*, which aims to raise funds for innovative projects.

Within OP EIC, the MIT launched the implementation of **SME support** programmes in the form of loans and guarantees, and in cooperation with the CMZR it prepared an SME support programme *EXPANSION* (call 1 of Expansion – loans was announced on 28 April 2017, call 1 of Expansion – guarantees was announced on 4 February 2019), which is focused on supporting investments in SMEs under the OP EIC priority Increase the competitiveness of start-up and emerging SMEs. Approximately CZK 8.8 billion was allocated for this programme. Similar form of support, i.e. soft loans, is provided to entrepreneurs in the *Energy Savings* programme, where SMEs (as well as large enterprises) can apply for soft loans for projects that will lead to a reduction in the energy intensity of the business sector. Approximately CZK 1.3 billion is allocated for this programme and the 1st call was announced on 19 September 2017.

Under the OP Environment (OP E), the Ministry of the Environment (MoE) launched in 2017, through the State Environmental Fund of the Czech Republic (SEF), the support to **reduce environmental risks** by providing soft loans, optionally supplemented by a grant. The support aims is to increase the safety of environmentally hazardous operations and to reduce emissions of polluting substances. CZK 480 million from ESIF funds is allocated for soft loans, CZK 160 million is allocated to grants from the SEF. The call was announced on 5 October 2017.

Within the OP Prague – Growth Pole, CZK 400 million is allocated for the programme INFIN, which aims to increase the offer of affordable financing of business projects implemented within the City of Prague which use research results, which are carried out by innovative entrepreneurs with a short history or implemented in the area of energy efficiency and renewable sources. The receipt of applications was opened on 15 April 2019.

National Development Bank

At present, work is under way on the preparation of the National Development Bank Act, whose substantive outline is to be submitted to the Government by 30 June 2019. The aim of this Act is to define the position of the CMZR as the national development bank of the Czech Republic for the implementation of targeted public interventions in the Czech Republic and abroad through financial instruments.

Investment incentives

In September 2018, the Government discussed and approved the amendment to the Investment Incentives Act. The upcoming changes mainly relate to the efforts to more closely link the investment incentive system to the current economic situation in the country and to the need for greater specialization of investment incentives on higher value-added projects linked to R&D activities and the creation of higher-skill jobs. Currently, the amendment to the Act is being discussed in the Chamber of Deputies.

Other measures

The Ministry of Regional Development has announced a housing support programme in areas with a strategic industrial zone for the area around the Solnice - Kvasiny industrial zone. For 2019, the MoRD has allocated CZK 150 million for the construction of apartments and CZK 25 million for the construction of technical infrastructure based on the requirements of the municipalities concerned.

Amendment to the Building Act

The present amendment to Act No 416/2009 significantly changes the **Building Act**. For example, the proposed changes include e.g. the introduction of a so-called legal fiction of an affirmative binding opinion, which means that if the authority concerned does not respond within the time limit, it is considered to have issued an affirmative binding opinion without further conditions. At the same time, a modification of the time limit for issuing binding opinions and their possible subsequent review is also proposed. The amendment seeks to address the problem of lengthy preparation of major transport and technical infrastructure plans within spatial planning documentation. Another topic of the amendment is the introduction of a national spatial planning geoportal, which will show the outputs of spatial planning in the Czech Republic, which will be in a uniform format in the case of the most important documents.

The latest amendment to Act No 416/2009 on **accelerating construction** of transport, water and energy infrastructure and electronic communications infrastructure of 18 July 2018 is described in detail in chapter 3.5.2 *Transport infrastructure*.

Recodification of public building law

In addition to partial amendments to the current Building Act, the so-called recodification of public building law is also under way, being one of the government's priorities. In September 2017, the Ministry of Regional Development submitted to the government the document *Recodification of Public Building Law – Basic Premises*, which identified key issues and areas to be addressed in the framework of recodification. This was followed by the *Recodification of Public Building Law – Information on the Recodification Guidelines and Objectives*, containing an outline of the most significant identified issues, and submitted to the Government in September 2018.

It is clear from this document that if new construction is to be substantially accelerated, streamlined and simplified by the recodification of public construction law, it is not possible to merely enact a completely new building act, but it is also necessary to propose and adopt major amendments to many related acts.

In order for the new building act to reflect the current knowledge of building practice as much as possible, on 8 October 2018 the MoRD concluded with the Chamber of Commerce (CoC) a Memorandum of Cooperation on the project of the recodification of Czech public building law. The CoC is involved in all stages of the preparation of new construction legislation.

The recodification assumes, among other things, organizational changes within the **building administration**, whose aim is to accelerate and streamline the performance of the construction agenda in the Czech Republic. Furthermore, in justified cases, it is necessary to reduce the number of authorities concerned and integrate the selected agendas of the authorities concerned into the decision-making of building authorities, but at the same time it is necessary to clearly define the public interest, determine the substantive competence of the authorities concerned and set up an effective mechanism of mutual cooperation. The aim is also to further accelerate the permitting procedures, where a number of new procedural institutes are proposed, in particular the merging of the existing permitting procedures into a single procedure with a shorter deadline.

Furthermore, it is necessary to revise the entire set of substantive regulations governing general **requirements for construction and documentation**, the purpose of which is, if possible, to consolidate the substantive-law construction requirements into a single secondary legal regulation, which will be valid throughout the Czech Republic. The changes brought about by the building act are often ground-breaking or controversial, and the resulting design and form of the recodification of the building law will depend on the results of the discussion of the substantive outline with all the ministries concerned and therefore may still change substantially. In February 2019, the draft substantive outline of the new Building Act passed through inter-ministerial comment procedure; its settlement has not yet been concluded. In April 2019, the substantive outline will be submitted to the Government Legislative Council (GLC).

3.4.2 Business environment and the internal market

Awareness of the business sector

In 2019, the Czech Republic will continue to raise awareness among Czech entrepreneurs and citizens of their rights and opportunities in the EU internal market through the use of existing information tools, including Points of Single Contact (PSCs), Product Contact Points (ProCoP) and SOLVIT. An important reform activity in the context of informing the business community is the implementation of the Regulation on the establishment of the **Single Digital Gateway**, to which the Czech Republic contributed significantly. When fully functional, it will be a guidepost where citizens and entrepreneurs will find their way to the information, procedures and assistance services they need at any given time, even in a foreign language. Ultimately, the Single Digital Gateway will replace e-SPCs. In 2019, initial steps will be taken to ensure its proper and timely implementation, which will be coordinated at national level by the MIT.

In informing entrepreneurs, the MIT cooperates and wants to continue to cooperate with business associations and use the territorial infrastructure they have.

In 2019, the Ministry of Industry and Trade plans to organize a series of seminars for entrepreneurs, where it wants to raise awareness of the services it provides to citizens and entrepreneurs to facilitate their movement and presence in the EU internal market. These seminars will be held in Prague as well as in other regional cities (Ostrava, Brno and České Budějovice). At the same time, seminar participants will be presented with initiatives to facilitate their work-related administration (e.g. Single Digital Gateway).

EU internal market

The internal market is one of the most important priorities of the Czech Republic's activities in the EU. Therefore, the Czech Republic has long been a major player in its deepening and must continue to be a major player presenting new proposals to improve it. As part of cooperation with EU countries with a similar view of the internal market, currently the primary common interest is the completion of the free market for services, which has been lagging behind the free market for goods and unfortunately, there is no improvement of this situation in sight. Furthermore, it is important for the Czech Republic to work towards simplifying the rules at EU and national level and eliminating the existing remaining barriers in the internal market, and face reappearing protectionist measures. The Czech Republic's internal market policy is described in detail in the document *Priorities in the EU internal market agenda 2015–2020 – 2019 update*, which was approved by the EU Committee on 21 January 2019. In order to raise the awareness of entrepreneurs of the benefits offered by the internal market, the MIT and SME partners will also organise a series of regional seminars on the EU internal market during 2019. Apart from Prague, the seminars will also take place in Ostrava, České Budějovice and Brno.

Reducing the administrative burden on entrepreneurs

In order to reduce the administrative burden on entrepreneurs, a number of sub-measures have already been implemented in several areas of business activities. Approximately 115 measures were implemented in 2013–2018. We are at a time that requires the digitisation of processes, the digitalisation of government, the sharing of data among state administration bodies and systemic changes. Measures of this type undoubtedly require sufficient time for proper preparation and implementation, which usually entails legislative adjustments.

In 2018, intensive work continued, focusing on reducing the administrative burden on entrepreneurs across individual state administration bodies. The progress towards 28 measures that were planned was evaluated. In total, 18 measures were implemented in 2017. Their overview was part of the document *Information on Reducing the Administrative Burden on Entrepreneurs 2017*, which was approved by the Government in July 2018. 19 measures are planned for the next period, the implementation of which will contribute to reducing the administrative burden. In particular, we must mention the eGovernment, under the responsibility of the Ministry of Interior. 22 measures remain to be implemented to achieve the objective of reducing the burden through 40 measures by the end of 2020.

For example, the following measures were implemented in 2018: *The Union Customs Code Project – eCustoms* (responsible body: Ministry of Finance), amendment to the Water Act – it is no longer required to make advance payments for the discharge of waste water into surface waters and for the fee for the volume of groundwater taken-off (responsible body: Ministry of the Environment); as part of simplification and streamlining of administrative proceedings, it is no longer required to submit the majority of original documents in protecting property rights – currently 76% of filings are made electronically (Industrial Property Office).

The Ministry of Industry and Trade focuses on reducing administrative burdens in business through an emphasis on **digitizing public administration**: e.g. documents to prove the eligibility of aid applicants in public tenders in RDI are submitted exclusively by data box, only once, independently of the number of submitted proposals. Furthermore, Licensed Trades Information System allows the transfer and receipt of data from other public administration registers: Since 2018, the Ministry of Industry and Trade has been testing the possibility to provide a statement of data kept in this system through the Citizen's Portal – expected to be introduced in Q1 2019; it is planning to extend the functionality of the JRF submission in relation to the National Identity Authority – data from the Licensed Trades Register and national registers.

These include, in particular, improving and extending the functionality of the electronic submission of the **Uniform Registration Form** (for example, for reporting a licensed trade – obtaining a trade license, notification of changes to registration data, etc.) in a manner that facilitates the data to be acquired and the submission to be compiled – electronic submission will be simplified (no need to download and install a special application on the computer), it will be possible to pre-fill in the electronic form with data kept about the applicant in the Licensed Trades Register and the national registers.

Businessinfo.cz has collected more than 1,000 forms with an impact on entrepreneurs and 84% of them have already been transformed into a user-friendly digital form. Other forms are being prepared. Through the web site zjednodusujeme.cz, entrepreneurs and the general public can send suggestions for cutting red tape.

The Ministry of Industry and Trade has prepared the so-called “**Entrepreneurial Ten Commandments**”, the aim of which is to improve conditions for self-employed persons and entrepreneurs. These include the following key areas: the legal electronic system (PES) – the

obligations of entrepreneurs in one place (project implemented by the CoC, with cooperation of the MIT); starting a business without barriers (linking the Licensed Trades Register and the Citizen's Portal mentioned above), the principle of transmitting information to the authorities only once, reducing the intensity of controls or the aforementioned digitalisation of forms. There is also a proposal for the so-called "supra-ministerial system measures package" aimed at improving the business environment through better regulation and reducing additional bureaucracy.

The Expert Group on Reducing the Administrative Burden of Entrepreneurs of the Ministry of Industry and Trade continued its activities in 2018. The Expert Group's activities were modified, resulting in a six-month rotating Presidency by its members, including the MIT, and more frequent meetings, about once every 2 months. The Secretariat continues to be provided by the MIT. According to the new format, the CoC became the first chairman in November 2018. Successful implementation of Regulation (EU) No 2018/1724 establishing a single digital gateway to provide access to information, to procedures and to assistance and problem-solving services under the responsibility of the MIT will also contribute to reducing the administrative burden on businesses.

Based on the resolution of the Economic Committee of the Czech Chamber of Deputies No 135 of 12 December 2018 in the document *Report on the Development and Support of Small and Medium Enterprises 2017*, it was recommended to elaborate in further reports the part on the business environment with respect to the year-on-year comparison of the administrative burden on entrepreneurs, to specify the number of information obligations of entrepreneurs and to supplement the evaluation. For this reason, the two above-mentioned documents will be merged into a single document, which will be submitted under the new name to the Government by 30 September 2019.

In 2018, 13 suggestions to reduce administrative and financial burdens on business entities were identified in the **Ecoaudit** by the Ministry of the Environment in cooperation with the Ministry of Industry and Trade, and concrete measures were proposed. The draft legislation, which will be subsequently prepared on the basis of the document adopted by Government Resolution No 9 of 7 January 2019, will include impact assessments, not only on the business sector, but also on the State budget, other public budgets, etc. Also, an overview of the progress towards all tasks from the previous phases of Ecoaudit was updated. The next stage of the Ecoaudit project will continue in 2019 by the collection of suggestions from the business community, and by verification and incorporation of the relevant ones into the final proposal, which will be submitted to the Government for approval in 2020.

The idea of a single flat-rate tax, developed by the MoF, has the potential to reduce the administrative burden, especially for the smallest entrepreneurs.

Promoting small and medium-sized enterprises

The Czech Republic will continue to focus on targeted support for SMEs in three priority areas, namely creating a business environment, direct support for SMEs and improving access to finance and labour resources. Within these priorities, emphasis is placed on the use of OP EIC funds and on increasing the involvement of repayable forms of business support. A substantial part of the OP EIC is allocated for the support of SMEs, with a total allocation of EUR 4,090 million (approx. CZK 105 billion).

The MIT will also address the current development of the **revision of the existing definition of SMEs**, as it involves very serious changes in terms of drawing State aid, ESIF or other forms of SME's access to finance involving several ministries. For the first time, the EC provided information on the forthcoming revision of the definition in summer 2017 as part of the initial impact assessment,

to subsequently start the assessment of the existing implementation of the current definition⁴³ with Member States.

In the course of 2019, the Ministry of Industry and Trade, in cooperation with the World Bank and the EC, will prepare an analysis of the business environment of the Czech Republic, which will serve as a basis for setting the basic priorities of the new *SME Support Strategy 2021+*.

This strategy will be a key document for supporting SMEs in the Czech Republic, which will summarize the Czech initiatives for business development and will be the basis for the preparation of operational and national programmes in the next programming period 2021+. The strategy will also ensure synergies and complementarity with European framework programmes. The document will build on the overarching strategic materials such as the *Czech Republic 2030* and the *National Concept of Cohesion Policy Implementation in the Czech Republic after 2020*.

Through its programmes, the TA CR also focuses on supporting **research and innovation activities in SMEs**. SMEs make up about one third of all supported participants. The TA CR also offers several tools designed directly to support R&D activities in SMEs. The first instrument is sub-programme 2 in the *GAMA* programme, which supports projects awarded the Seal of Excellence in stage 1 SME instrument under the *Horizon 2020*. The second instrument is the support of the financing of R&D activities in SMEs with the help of the CMZR, which in relevant cases will enable supplementary financing of part of a project implemented by SMEs from CMZR products (especially Guarantee and Expansion mentioned above). This activity is enabled in some TA CR programmes. Innovative potential (not only) in SMEs and its opportunities and barriers are examined by INKA.

3.4.3 Regional dimension

Regional development strategy

The *Regional Development Strategy* is implemented within two-year action plans approved by the Government. The *Action Plan for the Regional Development Strategy of the Czech Republic 2019–2020*, which summarizes the activities of the ministries in meeting regional policy objectives, was prepared for the period 2019–2020. The action plans of the Regional Development Strategy are implemented with the collaboration across national and regional levels. The Regional Development Strategy of the Czech Republic is also the basic document laying down the territorial dimension in ESIF implementation. Through a region-specific approach, it aims to balance disparities within individual territorial and regional types and promote the use of their growth potential.

The Regional Development Strategy of the Czech Republic also serves as a basis for setting the territorial dimension of the state's investment policy. In addition to the implementation of the Action Plan of the Regional Development Strategy of the Czech Republic 2019-2020, work is also underway on the preparation the *Regional Development Strategy of the Czech Republic 2021+* and the *Action Plan of the Regional Development Strategy of the Czech Republic 2021–2022*. The Regional Development Strategy of the Czech Republic 2021+ is being prepared with regard to the need to respect a broad partnership approach with the participation of all major regional development actors.

Region-specific instruments

Investment policy should take greater account of the existing regional specificities, consisting in different needs of different types of regions. The aim is to continue to contribute to reducing regional

⁴³Based on Commission Recommendation 2003/361/EC of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises.

disparities (balancing objective) while at the same time exploiting the local potential to increase the economic and social levels of individual regions (growth objective).

An example of a region-specific instrument to achieve the balancing objective is the *Comprehensive Action Plan of the Strategy for the Economic Restructuring of the Ústí, Moravian-Silesian and Karlovy Vary Regions 2018–2019*, which was approved by the Government in 2018. At the same time, the integrated CLLD instrument, aimed at supporting the development of a predominantly rural areas, also contributes to achieving the balancing objective. This instrument is implemented in an area through a network of 178 Local Action Groups (LAGs), whose task is to animate the area and select integrated projects at the local level, thus contributing to the principle of subsidiarity and reflecting territorial needs in the regional policy of the Czech Republic.

The TA ČR has had regional presence since 2018. With the use of resources from the Open Office project (funded by OP E), regional coordinating staff started to work in the regions. Their role is to strengthen the awareness of TA CR products, to advise on proposals for research and development projects or to implement them. The regional dimension is also applied in selected TA CR programmes. For example, by co-operating within the *Strategic Framework for the Economic Restructuring of the Ústí, Moravian-Silesian and Karlovy Vary Regions (RE: START)*, where a certain amount of total support is allocated to organizations based in a structurally affected region.

In order to meet the growth objective, the main metropolitan areas and residential agglomerations of the Czech Republic benefit from the so-called “**integrated instruments**” (integrated territorial investments and integrated areas development plans), which contribute to increasing the competitiveness of the main urban centres of the Czech Republic. The implementation of integrated territorial investments and integrated territorial development plans also fulfils the urban policy dimension in the Czech Republic.

Adequate setting of the implementation framework at the national level is crucial for the successful implementation of the integrated CLLD and ITI tools. In the 2014–2020 programming period, the *National Territorial Dimension Document* is the basic framework taking into account the territorial dimension in the ESIF. In cooperation with individual Managing Authorities and Territorial Partners, the preparation of the overarching framework for the programming period 2021–2027 is currently underway with a view to adequately taking into account the potential of integrated instruments in individual operational programmes and setting up appropriate forms of implementation based on existing experience in implementing integrated tools.

Tourism

Tourism has consistently accounted for 2.9% of the GDP (approx. CZK 149 billion)⁴⁴, and employs over 239 thousand persons. Growing arrivals statistics point to high untapped potential. The still valid *State Tourism Policy Strategy of the Czech Republic 2014–2020*⁴⁵ will be followed by the upcoming strategy for the period 2021–2030, to be submitted to the Government of the Czech Republic in Q2 2020.

The plan is to support in the following period:

- public tourism infrastructure
- statistical and marketing research; monitoring of tourism sustainable development indicators
- increasing the quality of services and human resources in tourism
- introduction of financial instruments for profitable projects in the field of tourism

⁴⁴Tourism satellite account (2017). Available at: https://www.czso.cz/csu/czso/satelitni_ucet_cestovniho_ruchu

⁴⁵ Approved by Government Resolution No 220 of 27 March 2013.

- DMO activity⁴⁶

Support must be provided from multiple sources and in close cooperation between public administration, entrepreneurs and NGOs.

1 July 2018 was the effective date of the **amendment to Act** No 159/1999 on certain conditions for business and on the performance of certain activities in the field of tourism, as amended, which transposes Directive (EU) 2015/2302 of the European Parliament and of the Council of 25 November 2015 on package travel and linked travel arrangements, amending Regulation (EC) No 2006/2004 and Directive 2011/83/EU of the European Parliament and of the Council and repealing Council Directive 90/314/EEC.

3.4.4 Quality of public administration

Strategic Framework for the Development of Public Administration of the Czech Republic 2014–2020

The Strategic Framework for the Development of Public Administration of the Czech Republic 2014–2020 (SFDPA) approved by the Government Resolution in August 2014 is a basic document defining the development of public administration and eGovernment. 2018 saw progress towards the specific objectives and measures specified in the Implementation Plans for SFDPA, approved by the Government Resolution in 2015.

The aim of the measures is to increase the transparency of public administration funding, simplify the structure of the territorial division of public administration, improve the quality of strategic management in public administration institutions, introduce process modelling of agendas, reduce the regulatory burden and implement quality methods, create a method and system for monitoring and evaluating the performance of public administration in terms of its efficiency, effectiveness, economy and adequacy, increase public administration accessibility through eGovernment, and professionalize and develop human resources in public administration.

Fulfilling the individual measures of the Strategic Framework in accordance with the Implementation Plans is expected in the next period as well. In June 2019, the *2018 Annual Report on the State of Public Administration* will be presented to the Government.

Following the SFDPA, the MoI drew up a Methodological Recommendation on Quality Management in Territorial Self-Governing Units (TSUs). The methodological document defines the recommended scope of quality management in the TSUs based on a functional interconnection of strategic, financial and process management, which is intended to ensure the fulfilment of stakeholder requirements through appropriately provided public administration services. An integral part of the organization's management is personnel management. At the same time, the methodological document contains the recommended scope of education of TSU employees in the area of quality management. In the coming period, the MoI will continue to support the application of this methodological recommendation in territorial public administration.

To implement and improve quality management systems, the TSUs can receive financial support from the Operational Programme Employment, which annually announces calls for territorial self-governing units focused also on quality management, strategic and process management, and educational activities for officials and representatives.

The overall improvement of the strategic environment in public administration is facilitated by the updated Methodology for the Preparation of Public Strategies, approved by the Government in January

⁴⁶ DMO – Destination Management Organization

2019. The methodology will be complemented by graphical publications and other templates that will facilitate its use in practice. Based on the project *Mapping strategic work in public administration institutions and suggestions to increase its effectiveness*, a number of recommendations have been made to improve strategic work, which will require further attention. Within the educational project *STRATeduka* educational texts incl. e-learning were created and 221 public administration strategists were trained. Positive feedback from participants led to the initiation of accreditation for this training programme. Developing and evaluating strategies is aided by innovation and the development of functionalities and modules of the Strategy Database⁴⁷, in which the *objectives of the National Strategy of Cohesion Policy Implementation in the Czech Republic after 2020* are also prioritized.

Strategic development of public administration after 2020

In mid-2018, the Czech Republic started preparing a **new strategic material** for the development of public administration called the *Client-Oriented Public Administration 2030*, which will follow the current *Strategic Framework for the Development of Public Administration of the Czech Republic 2014–2020*.

The vision of the upcoming strategy is to achieve in 2030 such public administration which will be client-oriented to the maximum possible extent and will create conditions for further improving the quality of life of the population and the growth of the Czech Republic's prosperity. The vision is elaborated into five strategic objectives and sixteen specific objectives aimed at achieving a substantive shift in specific areas of public administration functioning, many of which have also been identified by the February State of the Czech Republic Report. These include strengthening the evidence-informed decision-making, introducing a systemic approach to innovation, improving public communication and facilitating citizens' participation in public affairs, making the law more transparent, promoting sustainable development, strengthening strategic and project management, improving mutual coordination and public governance, streamlining controls of public funds, strengthening inter-municipal cooperation, increasing the availability and quality of services provided by public administration, or increasing the professional competencies of elected representatives, officials of territorial self-governing units and public service workers.

Many of these areas, such as the development of **evidence-informed decision-making** or the systemic approach to innovation, have not yet been systematically addressed in the Czech public administration, but some of the foundations for future development are already being built. In order to develop analytical work, share data and strengthen evidence-informed decision-making as such, the Working Group on Analytical Services Cooperation was set up within the framework of the Government Council for Sustainable Development (GCSD). Within this working group, a number of aspects of analytical work, such as the issue of sharing data and experience, educating analysts, embedding analytical units in the organizational structure of the State administration, or generally disseminating awareness of analytical work and the benefits of using evidence-informed decision-making in practice are and will continue to be discussed. Specific measures will be laid down in this strategy.

Some areas that are continually improved in the Czech Republic will also be laid down in the strategy. For example, the Czech Republic is still struggling with the quality of **strategic management and planning**. Further development and implementation of methods and instruments, innovations in strategic work and overall improvement of the environment for strategic management will be promoted within the upcoming strategy.

The key to meeting the objectives of the concept will be its **implementation**, which will include and address a number of other areas outlined above. It will be implemented on the basis of a total of three

⁴⁷ Available at: <https://www.databaze-strategie.cz>

action plans. The first action plan for the years 2021–2023 is currently in an advanced stage of preparation and will be submitted to the Czech Government for approval along with this comprehensive strategy. The estimated date of submission of both documents to the Government of the Czech Republic is autumn 2019.

Implementation of Civil Service Act

The MoI submitted a draft act amending the Civil Service Act and other related acts⁴⁸. The aim of the **amendment to the Act** is to create the conditions for further professionalization of the civil service, greater motivation of State employees for further professional development with the aim not only to improve the performance of the civil service, but also to strengthen the responsibility of the senior civil servants, everything being aimed at preserving the basic parameters necessary for the functioning of the civil service, which are stabilization, depoliticization and transparency.

The amendment to the Act aims at greater flexibility and operability of the civil service. Major measures include extending the range of senior candidates who may participate in selection procedures for senior civil servants, extending the grounds for dismissal of senior civil servants, or reducing the number of civil service fields that can be set for a civil post. The key changes also include the modification of the service evaluation system, which aims to simplify it and increase efficiency. It also includes other changes required by the practice and necessary to increase the efficiency of civil service.

The amendment to the Civil Service Act also includes an **amendment to the Foreign Service Act**⁴⁹, which, in the adopted wording, specifies the foreign service and its selected provisions or supplements them in response to the application practice of the Foreign Service Act.

At the same time, the Government prepared and approved on 12 December 2018 **Government Decree** No 1/2019 on state service fields, repealing, with effect from 1 July 2019, the existing Government Decree No 106/2015 on state service fields and, on 4 February 2019, it approved Government Decree No 36/2019 on the details of the service evaluation of civil servants and the relation between a civil servant's personal bonus and the result of the service evaluation and amending Government Decree No 304/2014, as amended.

In connection with the new legal regulation of the civil service fields, work is underway on the preparation of a **draft decree** amending Decree No 162/2015 on the details of the examination of officials, as amended by Decree No 124/2018, and a draft Government Decree amending Government Decree No 136/2015 on the equivalence of certain examinations and professional qualifications of a special part of the examination of officials. Finally, work is also underway on the preparation and implementation of the service regulations and methodological guidelines of the Deputy Minister of the Interior for the Civil Service to implement the Civil Service Act.

Implementing quality management in civil service offices

On the basis of the *Methodology for the Implementation of Quality Management Implementation in the Civil Service Offices* and the approved *Methodological Guideline for Quality Management in Civil Service Offices*, specific measures are being implemented to improve the quality of state administration with a focus on human resources. The aim is to put in place instruments and measures to permanently improve the functioning of and to improve the quality of human resources management in civil service offices.

⁴⁸ The Act was published in the Collection of Laws as Act No 35 of 23 January 2019, amending Act No 234/2014 on civil service, as amended, and Act No 150/2017 on foreign service and amending certain acts (Foreign Service Act).

⁴⁹ Act No 150/2017, on foreign service and amending certain acts.

Register of Contracts Act

The Register of Contracts Act has been in force since 1 July 2016, when the operation of the Register of Contracts Information System was also launched. On 18 August 2017, an amendment to the Act on the Register of Contracts came into effect, extending the scope of partial exceptions to publication for certain types of contracts. For practical application, it is important that contracts that are compulsorily published in the contract register are no longer required to be concluded in writing. The MoI continues to provide the public with information and technical support for the proper implementation of contract registrations. As of 31 March 2019, 1,978,492 contracts from 9,130 entities were published in the Register of Contracts.

Public contracts

Act No 134/2016 on public procurement, as amended (PPA) came into effect on 1 October 2016. Its adoption was followed by a reduction in administration (e.g. there is no obligation to examine all tenders, documents can be submitted by reference to a public administration information system, etc.), increased transparency (obligation to publish the contract – unless published in the Register of Contracts, publication of tender documentation, publication actually paid price) and strengthening the responsibility and flexibility of the contracting authority. In its 2018 Country report on the Czech Republic Report, the EC itself states that some progress in strengthening the effectiveness of public spending has been made. In this respect, the EC welcomes, for example, the new legal regulation of public procurement and some of its institutes – uncovering the ownership structure of suppliers to their beneficial owners.

Other **new** public procurement **methodologies** have been created and published, both formal and specialized. The PPA coordinator participated in the preparation of methodologies of other ministries, e.g. on the large methodology for socially responsible awarding together with the MoLSA. Furthermore, it cooperated on methodology, with the Ministry of the Environment on the methodology *Rules governing the application of environmental requirements for public procurement and purchases of state administration and self-government*, which was announced by Government Resolution No 531/2017 on the rules for applying responsible approach to public procurement and purchases of State administration and self-government or the *Methodology for the prevention of criminal recidivism in the form of support for employment and professional development of persons with a record in the Register of Criminal Records and prisoners in public procurement* in cooperation with the MoJ and other ministries.

From October 2016, the PPA coordinator has introduced a **new training programme**. The aim is to significantly enhance users' expertise in the area of public contracts, not only in connection with the newly adopted PPA, but also in the area of methodological support.

Implementation of the Public Procurement Digitisation Strategy 2016–2020

The Czech Republic continues, in line with the Council recommendation (CSR), to implement measures to increase transparency and efficiency in public procurement. In January 2016, the Government approved the *Public Procurement Digitisation Strategy for 2016–2020, the evaluation of the effectiveness of the operation and a proposal of further steps in using electronic public marketplaces and a proposal for the mandatory use of the National Electronic Instrument (NEI)*.

As part of the strategy, the Government adopted in June 2017 Resolution No 467, which obliges selected contracting authorities to use the NEI from 1 July 2018 for public procurement. The strategy also includes measures to increase the use of the NEI. The implementation of these measures is expected to bring tens of millions of *koruna* in savings on the costs of operation of electronic public procurement instruments.

The main changes that were made by the update to Government Resolution No 467/2017 were, among other things, the unification of the obligation to award all public contracts with an estimated value exceeding CZK 0.5 million in NEI, and the extent of possible exemption from mandatory use of NEI was changed. The Minister for Regional Development was instructed to ensure the implementation of measures aimed at accelerating the system's response and update of the Action Plan for the Implementation of the Public Procurement Strategies 2016 to 2020. At its meeting on 21 January 2019, the government approved resolution No 57 containing an update of its action plan.

The update mainly consists of proposals for measures to increase the aggregation of public procurement data, mainly data on small-scale public procurement; to motivate the client to make more use of certified electronic tools and measures to create a central source of open data, including an automated process for monitoring the quality of published data.

In 2019, measures such as the monitoring of foreign best practices in the field of digitisation of public procurement, including the assessment of the possible implementation of the best solutions in the legislative environment of the Czech Republic, are continuously implemented; information events aimed at introducing electronic public procurement; counselling of the contracting authority and the contractor; revision and development of methodologies for PPA and its implementing regulations with a view to significantly reinforce the obligations of contracting authorities and create a new data publication system.

Combating corruption

Government policy within the anti-corruption agenda, which was transferred from the Office of the Government to the Ministry of Finance on 1 January 2019 pursuant to Government Resolution No 818 of 3 December 2018, is set by the *Government Strategy of Combating Corruption 2018–2022*. By its content, the Strategy builds on the analytical basis of the *Principles for the Development of the Anti-Corruption Strategy Paper of the Czech Republic after 2017*, which has been in preparation for a long time, with extensive expert cooperation between public administration bodies, the non-profit sector and the academia. The Strategy sets out the basic institutional and content definition of the government's anti-corruption policy as a stable framework to be followed, within one-year anti-corruption action plans, by the adoption of specific anti-corruption measures defined in accordance with long-term needs, but also in line with current developments. The Strategy is divided into four priority areas: Efficient and independent executive, Transparency and open access to information, Economical management of state property, Development of civil society.

On 11 March 2019, the Government approved the *Anti-Corruption Action Plan 2019*, which includes legislative and non-legislative measures, which (according to the above Strategy) are divided into four priority areas. Among other things, the Action Plan includes measures focusing on the implementation practice of the Public Procurement Act, creating a comprehensive methodological environment and facilitating the transfer of experience and good practice in the area of public procurement or training of contracting authorities and tenderers within the Public Investment Academy. The Action Plan further includes, for example, legislative and non-legislative measures to implement the 5th Anti-Money Laundering Directive under Act No 253/2008 on certain measures against money laundering and terrorist financing, Act No 300/2016 on the central register of accounts, and other relevant regulations.

Important anti-corruption legislative measures, which were submitted to the Government in late 2018 / early 2019 and has been under preparation since 2018, include the draft act on lobbying and a draft act on whistle-blower protection. Because the EU is negotiating a proposal for a Directive of the European Parliament and of the Council (EU) on the protection of persons reporting on breaches of Union law, the draft act on whistle-blowers is already being drafted in accordance with the principles of the above proposal.

Regulatory impact assessment

Regulatory Impact Assessment (RIA) is an integral part of the legislative process and the foundation of a quality regulatory environment. Nevertheless, in practice, it appears that RIA is approached formally or completely neglected (which is particularly problematic in regulation which obviously predicts new and large-scale impacts) and also neglected is ex-post RIA. In 2019, the Office of the Government (Legislative Council) plans a series of workshops for RIA developers, building on the training events organised in 2018. The content focuses on basic information about the essence of RIA and also on the particular aspects of the preparation itself. The RIA process will also be revised (including stronger provisions for ex-post RIA) and subsequent underlying documents (General Guidelines for Regulatory Impact Assessments – OG of 3 February 2016, Nos 75 and 76).

3.4.5 Digital agenda and eGovernment

Digital Czech Republic

On 3 October 2018 the Government adopted Resolution No 629 to the programme *Digital Czech Republic* and draft changes to the statute of the **Government Council for the Information Society (GCIS)**⁵⁰. The adopted changes to the GCIS statute mainly concerned the GCIS structure, which was aligned with the Digital Czech Republic programme. The Central, coordinating and managing authority of the Digital Czech Republic programme is the GCIS, headed by a government representative for information technology and digitalisation.

Digital Czech Republic is a set of strategies ensuring the long-term prosperity of the Czech Republic in the context of the ongoing digital revolution. The Digital Czech Republic covers three main pillars (partial strategies), 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:

1. *Czech Republic in Digital Europe* aims to ensure a uniform and proactive approach of the Czech Republic to the issue of digital agenda at EU level; the responsible body is the Office of the Government.
2. *Information strategy of the Czech Republic* is also focused on digital areas of exercising public authority at the national level and is under the responsibility of the Ministry of the Interior.
3. *Digital Economy and Society (DES)* under the responsibility of the Ministry of Industry and Trade is a strategy which addresses issues which are partly outside the direct responsibility of public authority. This includes in particular the promotion of positive aspects of societal and economic change associated with the digital revolution and the minimization of negative impacts. It includes industry, construction (including the introduction of BIM into construction practice), education, smart cities, science and research, infrastructure development and connectivity, healthcare, etc. An important part of this Strategy is the *National Artificial Intelligence Strategy*, which is ready to be submitted to the Government in the second quarter of 2019 and subsequently to the EC.

On 17 December 2018, the Government discussed a document on the Digital Czech Republic, i.e. the *Report on the implementation of the Digital Czech Republic, List of consolidated plans and Statistical*

⁵⁰ Government Resolution No 629/2018.

information on the implementation of the Government programme *Digital Czech Republic*⁵¹. Intensive work is underway on implementation plans to be submitted to the Government by 31 March 2019.

The Ministry of the Interior, in accordance with the above-mentioned Resolution No 629/2018, will issue and publish by end of September 2019 on its website documents on the Information Strategy of the Czech Republic, namely *Methods of ICT Management in Public Administration*, *eGovernment Glossary*, *National Architectural Framework (NAF)* and *National Architectural Plan (NAP)*.

National Architectural Plan for eGovernment

Together with the NAF, the NAP aims to streamline the work of public authorities with information technology. The NAP, as part of National Architecture, is an activity that includes not only central architectural models of shared services but also individual models of public authorities. The aim is to prepare the initial state of Czech eGovernment with its development plan. Specifically, it involves the modelling of central shared eGovernment services and individual systems and their services of public authorities.

National Architectural Framework for eGovernment

The NAF is part of the national architecture as a whole. Together with the National Architectural Plan, it is the key to understanding and advancing the Enterprise Architecture, which aims to streamline the work of public authorities with ICT. The aim is to methodically guide and facilitate the creation and maintenance of the authority's architecture. The result will be, as in the case of NAP, more effective spending on state IT, better accessibility of eGovernment services to state administration and self-government, but mainly also to public administration clients – citizens, legal entities and foreigners. The first version of the NAF⁵² will be released by the end of September 2019 and by the end of 2021 the primary central repository with a modelling tool will be operational to store and edit public administration models.

Accessibility of websites of public sector entities

The Czech Republic is transposing Directive (EU) 2016/2102 of the European Parliament and of the Council of 26 October 2016 on the accessibility of the websites and mobile applications of public sector bodies⁵³ into Czech law. The draft Act on accessibility of websites and mobile applications amending certain Act No 365/2000, on public administration information systems and amending certain other acts, as amended⁵⁴, which transposes the relevant directive, was published on 9 April 2019 in the Collection of Laws as Act No 99/2019 with effect from 9 April 2019.

Electronic identification

On 18 August 2017, the **Electronic Identification Act**⁵⁵ and the related amending act⁵⁶ were published; they came into effect on 1 July 2018.

⁵¹ Submission of the Report on the implementation of the *Digital Czech Republic* fulfils point IIc) of Government Resolution No 629/2018 of 3 October 2018, which requires the presentation of this Report to the Government of the Czech Republic for information by the end of 2018. The List and Statistics were submitted to the Government of the Czech Republic for information on the basis of a request to postpone the date of submission of implementation plans, which was granted. Through the application, the originally set deadline for submission of implementation plans specified in Government Resolution No 629/2018 was postponed from 10 December 2018 to 31 March 2019.

⁵² Fulfilment of Objectives 3 and 5 of the Information Strategy of the Czech Republic approved by Government Resolution No 629/2018.

⁵³ Available at: [http://eur-lex.europa.eu/legal-content/CS/TXT/PDF/?uri=CELEX:52016AG0013\(02\)&from=CS](http://eur-lex.europa.eu/legal-content/CS/TXT/PDF/?uri=CELEX:52016AG0013(02)&from=CS).

⁵⁴ Act No 365/2000

⁵⁵ Act No 250/2017

In accordance with the Electronic Identification Act, which is based on the eIDAS Regulation⁵⁷, the National Register Administration built the **National Point for Identification and Authentication (NIA)** and launched it into production mode on 1 July 2018. It is a public administration information system supporting the process of electronic identification and authentication at the national level. The NIA is a key tool for enabling electronic identity verification and providing verified user information needed to use remote services. A separate part of the NIA is also the eIDAS node, which provides interconnection to notified electronic identification systems (i.e. it interconnects NIA with foreign notified electronic identification systems)⁵⁸.

eIDAS node was launched on 28 September 2018 under the name CZ.PEPS. eIDAS nodes allow signing up in various EU Member States for services provided in one Member State through an electronic identification means issued in another Member State, subject to the conditions of the eIDAS Regulation. Currently, work is underway to secure the routine operation of NIA and CZ.PEPS and the ongoing development of both systems in relation to the gradually notified electronic identification systems of other EU Member States.

In mid-December 2018, the process of pre-notification of the Czech electronic identification system (National Identification Scheme of the Czech Republic) based on new ID cards with an electronic chip issued from 1 July 2018 and NIA was launched⁵⁹. The Czech Republic has provided a description of the electronic identification system to other Member States and has requested a peer review process where other Member States will review the documentation provided and ask questions about the electronic identification system to verify that the system meets the requirements for *high* level of eIDAS guarantee. The Czech electronic identification system will only provide identification and authentication services to natural persons.

After the pre-notification process, which lasts at least 6 months, it will then be possible to start the official notification of the Czech Republic's National Identification Scheme to the EC, which will publish basic information on the scheme in the Official Journal of the EU. Within 12 months of publication in the EU Official Journal, Member States must then begin to recognize electronic identification means (in the case of the Czech Republic, electronic chip IDs issued from 1 July 2018) for access to public sector online services, subject to the conditions set out in Article 6 of the eIDAS Regulation.

Full electronic submission

One of the priorities in the development of eGovernment in the Czech Republic is to ensure **full electronic submission**, which will both increase user comfort and the quality of services provided by public administration entities, increase the speed and continuity of administration, lead to a higher use of eGovernment services by citizens of the Czech Republic and, finally, a qualitative shift within development of public administration. Between 2019 and 2020, key methodological documents,

⁵⁶ Act No 251/2017

⁵⁷ Regulation (EU) No 910/2014 of the European Parliament and of the Council of 23 July 2014 on electronic identification and trust services for electronic transactions in the internal market and repealing Directive 1999/93/EC.

⁵⁸ Information on notified and pre-notified systems is available from:
<https://ec.europa.eu/cefdigital/wiki/display/EIDCOMMUNITY/Overview+of+pre-notified+and+notified+eID+schemes+under+eIDAS>.

⁵⁹ A short report on the initiated process of pre-notification of Czech ID cards is published on the EC website, available at:

https://ec.europa.eu/cefdigital/wiki/display/CEFDIGITAL/2019/01/25/Three+new+eID+schemes+pre-notified+for+2019?utm_source=External+-+update+24%2F01&utm_campaign=f6759b55fe-EMAIL_CAMPAIGN_2019_02_04_07_42&utm_medium=email&utm_term=0_733873de4c-f6759b55fe-220612197&mc_cid=f6759b55fe&mc_eid=586f1e762b.

recommendations and standards (in legislative, motivational, procedural and technical terms) will be completed, which will contribute to a smoother enforcement and uniformity of the concept of full electronic submission in the public administration of the Czech Republic. These strategic and methodological documents and recommendations will thus lead to faster enforcement of eGovernment and good governance principles in the Czech Republic.

ID cards with electronic chip

In 2017, an amendment to the ID Card Act was approved, which came into effect on 1 July 2018⁶⁰. The new electronic ID card is equipped with a contact electronic chip which comes with an identification ID card certificate, which is the basic tool serving citizens for personal and on-line identification with the highest level of trust backed by the Czech Republic. Currently, using an electronic ID card allows citizens to remotely use more than 80 State services, some under the condition of having a data box⁶¹.

On 30 January 2019, the National Identification Scheme of the Czech Republic and a trustworthy means for electronic identification of e-IDs for all Member States were presented at the 12th meeting of the eIDAS Cooperation Network in Brussels. This started the peer review process. Estonia is the coordinator of the peer-review process, which will last 4 months, with Slovakia, Slovenia and Hungary being the reporters.

Public Administration Portal and Data box Information System

The Public Administration Portal (PAP) serves to provide quality services in providing credible and guaranteed information and, together with the Data Mailbox Information System, simplifies communication with authorities for citizens of the Czech Republic and foreigners. In the future, the portal should have the ability to interact with documents or forms in online mode.

The MoI launched a new version of PAP on 3 March 2018⁶², which is designed to meet the current user requirements for clarity and user-friendliness, the portal is now also customized to be displayed on a variety of devices including mobile phones. The content of the portal will be gradually supplemented at a later stage to create a place where everyone can easily find all the information they need regarding public administration and handle many of the issues through online applications available here.

In connection with the reconstruction of the PAP, its transactional personalized part, called **Citizen's Portal**, was launched on 1 July 2018. For the citizen, this portal represents his personal space in relation to the services of public authorities. In particular, it will offer to the citizen complete electronic submission, the provision of outputs from public administration information systems, information on the status of individual acts performed by a citizen towards specific public authorities, and, for example, a personal archive of documents. The Citizens' Portal offered over 80 services in April 2019, such as: access to data in national registers, access to pension data, information on sickness insurance benefits, access to a patient's medical account (eReceipt), driver score, information on job incapacity, extract from the criminal record, request for information under the Free Access to Information Act, the possibility of attaching a natural person or a self-employed natural person's data box and making a submission, repository of documents (e.g. attachments of data messages), access to a list of properties owned by the user, tax filings (VAT control statements, tax returns...) and other services.

⁶⁰ Act No 195/2017.

⁶¹ The list of services you can subscribe to is available from: <https://info.eidentita.cz/sep/>

⁶² Available at: <https://gov.cz/obcan/>

In 2019, the MoI plans to make additional digital services available through the Citizens Portal⁶³. In the first half of 2019, for example, the payment interface for selected services will be implemented or other public administration systems will be connected. The development of the Citizen's Portal will continue even after the project has ended, e.g. the national strategy Digital Czech Republic has identified the Citizen's Portal as a key project and its development is envisaged at least until 2024. The MoI also keeps ongoing discussions with regions and municipalities regarding the administration of agendas provided by local governments.

Citizens can access the Citizen's Portal through guaranteed electronic identity, either on their own (using a computer, tablet and mobile) or indirectly from public administration contact points.

Since January 2019, the method of signing in to **the Data Box Information System (DBIS)** has been expanded through the National Identity Authority using the electronic chip ID card (eID).

The mobile application *What to Do if...* is being expanded on an ongoing basis; the application provides clear instructions for resolving selected life situations in relation to the public and state administration authorities of the Czech Republic. The application not only displays the necessary steps, but also proposes sets of necessary documents for a given solution and calculates official time limits for submitting applications or information in a citizen-state relationship. It also provides contact information for the appropriate office and displays its location on the map.

National Open Data Catalogue

The National Open Data Catalogue was developed along with the standards for publication and cataloguing of open public administration data in 2015. In July 2018, the Government approved an amendment to Government Regulation No 425/2016 on the list of information published as open data, which extends the existing number of data sets from the list in the Regulation to 24 data sets. Currently the Ministry of Interior is preparing a new version of the National Open Data Catalogue and an OP E project targeting the development of quality, interoperability, support for training and awareness raising in the development of open data *Development of data policies in improving the quality and interoperability of public administration data*.

Preparation of eGovernment Cloud (eGC)

By its Resolution No 749 of 14 November 2018, the Government approved the Comprehensive Analytical Report, the output of Phase I of the project *Preparation of eGovernment Cloud (eGC Project)*, which was prepared by the eGC Working Group set up within the Government Council on Information Society and assigned tasks related to the implementation of Phase II. (pilot) of the eGC Project.

In accordance with the Resolution, an advisory body for the eGC Managing Authority (MAeGC) and an inter-ministerial commission for legislative preparation of solutions to the legal framework of the State part of eGC will be established, as well as central state administration bodies managing critical information infrastructure / major information systems (KII/MIS), and safety impact assessment and TCO⁶⁴ calculation for KII/MIS will be prepared.

⁶³ This includes, for example, notification services for the end of drivers licence; together with the Ministry of Industry and Trade, access to the trade register; in collaboration with the Ministry of Health, preparation of access to patient summary data available through the secured section of the Citizen's Portal, and others.

⁶⁴ Total Cost of Ownership

A dynamic purchasing system for IaaS and PaaS services⁶⁵ will be introduced by the MAeGC by 30 June 2019 for the commercial part of the eGC and by 31 December 2019 the MAeGC will submit to the Government the project State Part of eGC.

Cybersecurity

In 2018, cyber security in the Czech Republic continued to focus on creating an environment supporting Czech society in digital transformation. Meeting these objectives, together with legislative adjustments, is a key prerequisite for a significant shift across education, research and development, ICT infrastructure, legislation, the labor market, standardization and cyber security.

Increasing cyber security is also one of the EU's top priorities, which are being discussed extensively at EU level.

In the course of last year, the MoI started the **implementation of the newly required security measures** arising from Decree No 82/2018 on security measures, cyber security incidents, reactive measures, cybersecurity reporting submission requirements and data destruction (Cyber Security Decree) of 28 May 2018. At the end of the year, the MoI, as the critical information infrastructure manager, initiated the preparation of risk analyses of critical information infrastructure systems to determine appropriate measures to eliminate cyber threats set out in the National Cyber and Information Security Office's warning of 17 December 2018 and based on Government Resolution No 18 of 7 January 2019.

e-Collection and e-Legislation

On 15 October 2018, a contractor started the implementation of e-Collection and e-Legislation systems, which aims to modernise the legislative process and increase the accessibility and clarity of law. The draft amending Act to the Act on the Collection of Laws and International Treaties is currently discussed in the Chamber of Deputies. The launch of both systems is expected to take place on 1 January 2021 and is linked to the entry into force of the Act on the Collection of Laws and International Treaties.

Collection of legal regulations of territorial self-governing units and certain administrative authorities

The MoI is preparing a legislative proposal for the establishment of an information system of legal regulations of territorial self-governing units and certain administrative authorities. On 14 March 2019, an inter-ministerial comment procedure on the draft Act on the Collection of Legal Regulations of Territorial Self-governing Units and Certain Administrative Authorities and amending related acts was completed. After the comments have been settled, the draft act will be submitted to the Government for discussion. It should take effect on 1 January 2021. Thanks to the proposed legislative amendment, an information system of legal regulations will be created, in which all legal regulations of municipalities, regions and the City of Prague will be published, as well as legal regulations of administrative authorities which are not promulgated in the Collection of Laws. Their promulgation in the system will lead to them entering into force (they have become part of the applicable law).

In addition, the Collection of Legal Regulations of Territorial Self-Governing Units and some administrative authorities is expected to be used to publish other related documents, especially acts that are now published in the Journal of Legal Regulations of Regions (which is envisaged to be repealed). The final scope of information to be published will depend on the outcome of the discussion of the draft within the comment procedure, as well as in the legislative process in the government bodies and the Czech Parliament.

⁶⁵ IaaS = Infrastructure as a Service, PaaS = Platform as a Service

The information system of legal regulations (of territorial self-governing units and the administrative authorities concerned) will be a publicly accessible electronic information system. According to the proposed concept, the prepared information system should have an overarching character and subsequently be replaced by a new system module e-Collection. Its creation is planned following the completion of the system e -Collection and e-Legislation as a development project of this system; its content will be based on legislation and other acts included in the Information System.

Development of high-speed internet and building next-generation networks

The development of high-speed internet and building new generation networks are the basis for the development of the digital agenda and eGovernment in the Czech Republic. **The National Plan for the Development of Next Generation Networks** defines the Czech Republic's strategic approach to building new generation networks and, through targeted support, implements the state's influence on developing these networks. However, this support can only be directed to locations where market mechanisms are failing, in order to avoid crowding out of private investment. On 7 February 2019, the 2nd call from Priority Axis 4 of the Operational Programme Enterprise and Innovation for Competitiveness – Development of High-Speed Internet Access Networks and Information and Communication Technologies was announced. The receipt of aid applications will start on 8 May 2019 and end on 8 June 2019.

The second tool is the **removal of legislative, regulatory, financial and other barriers** that hinder development / building of electronic communications networks. These barriers and limitations are set out in the *Action Plan to Implement Non-Subsidy Measures to Support the Planning and Building of Electronic Communications Networks*, adopted by the Government in May 2017. At the same time, the Action Plan sets out measures for the gradual elimination of these negative phenomena.

The MIT is currently preparing an **update of the Action Plan**. The Action Plan is updated in cooperation with the Czech Telecommunication Office (CTO) and the professional community, and in December 2018 a summary of possible measures was elaborated, which is also gradually being developed in cooperation with relevant ministries, such as the MoRD, MoF, MoI, MoD or MoE and representatives of electronic communications business associations.

Future **5G mobile networks** will also play an important role in meeting the goals of the digital agenda in the Czech Republic. It is necessary to ensure the conditions for their development and their availability in the necessary parameters of quality and territorial coverage, including important line transport structures (motorways and railway corridors). The basic tool is the authorization of frequency bands harmonized for the development of 5th generation networks. The first step will be a tender (auction), which the CTO is now preparing in the 700 MHz band, i.e. the frequencies released from terrestrial television broadcasting.

3.5 Sectoral policies

3.5.1 Research, development and innovation

In the course of 2018, the implementation of measures defined in the *National Research, Development and Innovation Policy of the Czech Republic 2016–2020* (NP RDI) continued. Government Resolution No 115 of 8 February 2019 approved the *Report on the Evaluation of Progress Towards NP RDI Measures*, which includes the update of the NP RDI for the period 2019–2020. Most of the measures have been met or are being met. Given the short time since the NP RDI approval, their effect could not yet be reflected in a change in statistical indicators. In order to maintain continuity, it is necessary to continue to implement the measures until the end of the NP RDI, i.e. by the end of 2020. For some measures, there was a need to modify the instrument to meet them. Changes in the measure were reflected in the update of NP RDI for 2019–2020.

Government Resolution No 104 of 4 February 2019 approved the *Innovation Strategy of the Czech Republic 2019–2030*. It consists of nine mutually interconnected pillars that contain the starting points, basic strategic goals and instruments to fulfil them. Each pillar has its institutional guarantor, usually a ministry, including a specific responsible manager. Fulfilling the innovation strategy will be under the direct authority of the Prime Minister, through the Research, Development and Innovation Council (RDIC). Part of the strategy is also the introduction of a new brand “*Czech Republic: The Country For The Future*”. In the area of business resources for RDI activities, the Innovation Strategy envisages the creation of such conditions that business expenditures after 2024 amount to about 1.5% of GDP, which would mean an increase to about CZK 89 billion a year. In the area of R&D financing, it intends to increase funding to 2% of GDP by 2020, 2.5% of GDP by 2025, 3% of GDP by 2030, i.e. by 0.1 pp each year; of which an increase from public resources to 1% of GDP⁶⁶ and from business resources to 1.5% of GDP in 2025 and to 2% in 2030.

A substantial contribution to improving the quality of research and development was the **increase in state budget RDI expenditure** in 2014–2018, along with better targeting of these funds. In the summer of 2018, The GCRD launched regular meetings on R&D expenditures with providers aimed at ensuring the sustainability of the entire system and the efficiency of public spending also in the context of the new programming period 2021–2027.

The state RDI budget in the amount of CZK 36 billion was approved for 2019. The medium-term outlook expects an increase to CZK 37.5 billion in 2020 and the same increase in 2021.

In connection with the gradual implementation of the *17+ Methodology*, which, in addition to **evaluating the results** (modules 1–2), also considers other aspects of the functioning of research organizations (modules 3–5) the level of institutional support for individual providers / research organizations was stabilized. The 17+ methodology has also strengthened the role of providers in the evaluation and strategic direction of research organizations which it establishes or to which it provides institutional support (by transferring responsibility for evaluating research organizations under modules 3, 4 and 5). The 17+ methodology, in cooperation with the MEYS expert group, is still being refined for the conditions of higher education institutions. The Government acknowledged the information on its current state in the form of the required detail for a complete assessment for the HEI segment at its meeting on 14 November 2018.

⁶⁶ National public resources and foreign public resources are foreseen from funds in the programming period 2021–2027.

In 2019, cooperation will take place on the next stages of the 2017+ Methodology and on the clarification of the mechanism for taking into account the evaluation results in accordance with the 17+ Methodology in setting the amount of institutional support for research organizations.

The strategic document *National research and innovation strategy for smart specialization of the Czech Republic* (RIS3 strategy) has been transferred from the Office of the Government to the MIT. In January 2019, an update of the RIS3 strategy was approved, which aims to define priorities at national and regional level to create a competitive advantage by building their research and innovation capacities, which will meet the needs of businesses in increasing their competitiveness. Key areas of change that the RIS3 strategy focuses on include improved corporate innovation performance, improved research quality and economic benefits, improved human resource availability for innovative entrepreneurship, R&D, eGovernment and eBusiness development, and better use of social capital to address societal challenges.

Current priorities still include the support for more coherent cooperation between research and business sector in order to apply research and development results to practice and their subsequent commercialization with the aim of increasing the competitiveness of Czech companies.

In order to **promote the commercialization** of RDI results and also with regard to the structure and development of the Czech economy towards production with higher added value, the applied research programme called *TRIO* is implemented to develop the potential of the Czech Republic in the area of key enabling technologies (KETs). All three originally planned public tenders in the years 2015–2017 were announced in TRIO. Government Resolution No 280 of 30 April 2018 amended the text of TRIO and extended the programme to 2022. The fourth tender was launched in September 2018, with applications received until the end of October 2018. The results of the fourth public tender were published on 9 April 2019.

TRIO will be followed by a **new programme TREND**, which will be implemented by the TA CR. The programme, which is in line with the RIS3 strategy, will focus on increasing the international competitiveness of enterprises by expanding their markets abroad, penetrating new markets or moving higher in global value chains. Secondary objectives of the programme are to increase the number of companies carrying out their own research and development activities, and strengthening the orientation of research organizations to internationally competitive applied research with benefits for industry and society. The programme will be implemented in the period 2020–2027, the estimated total expenditure is CZK 14,923 million. The announcement of the first public tender is expected in May 2019.

During the first half of 2019, the Government will update the *Roadmap for Large Research Infrastructures of the Czech Republic 2016–2022*, following the adoption of the Czech Government's decision to support **large research infrastructures** from public funds in the Czech Republic until 2022, which was adopted in late 2018. The Road Map of Large Research Infrastructures of the Czech Republic 2016–2022 (its 2019 update) will become a fully complementary document to *the Roadmap of the European Strategy Forum on Research Infrastructures* updated in 2018. The roadmap will include a total of 48 large research infrastructures, including 7 new projects, which are operated in all fields of science, categorized as physical sciences and engineering, energy, environmental sciences, biological and medical sciences, health and food and social sciences and humanities. They will be complemented by e-infrastructure of the Czech Republic, providing large research infrastructures and their users with adequate ICT services designed for their individual and highly specific needs.

One of the key providers of R&D in the Czech Republic is **TA ČR**, which tries to cover the widest range of needs of the national innovation system in the Czech Republic with its programme portfolio. The TA CR implements programmes focused on specific problems – *Competence Centres* and *National Competence Centres* support excellent research and long-term cooperation between the

research and business sectors. The *Zeta* programme aims at involving young researchers and women in R&D, and the *GAMA* programme helps commercialize research outputs in practice. Since 2019, the TA CR will also newly administer research and development programmes of selected ministries. In 2019, these programmes will include *TREND* (MIT), *Environment for Life* (MoE) and *TRANSPORT 2020+* (MoT).

It will then provide some other ministries with its information system and activities related to the evaluation process for the administration of their research programmes (MoI, MoA). Furthermore, the TA CR is the programme operator of the programme Research within the EEA and Norway Financial Mechanisms, the so-called EEA and Norway Grants. The implementation of this programme is ensured by the national programme *KAPPA*, whose first public tender will be announced in 2019. The TA CR is also active in international cooperation, both within the network of innovation agencies TAFTIE, through the international cooperation programme *DELTA* and by participation in ERA NET Cofund Horizon 2020 projects, which open up opportunities for Czech entities for international cooperation and increasing participation in this EU programme.

Productivity and innovation support

The aim / indicator of progress towards the above **Innovation Strategy** is the placement of the Czech Republic within the upcoming innovation scoreboards. The general objective is to improve the monitored indicators to an extent that moves the Czech Republic from the category of *Moderate innovators* to innovation leaders.

Strategy (the strategic framework at the moment) includes nine pillars including education, research, investment, digitalisation and other areas with a major impact on the Czech Republic's innovation potential. In the coming months, specific action plans will be prepared for this strategic framework with individual measures to meet its objectives.

One of the first measures will be a new innovation support programme called **Country for Future**, focusing on national start-up and spin-off environments, digitalisation and smart investments. This should include support for the establishment and development of innovative start-ups and spin-offs, the development of activities complementary to *Digital Europe*, in line with the *Digital Czech Republic* strategy, including *Digital Innovation Hubs* and other necessary infrastructure necessary for the development and modernization of SMEs, as well as support for the facilitation of robotization, automation and the promotion of innovations in companies, with an emphasis on SMEs, in line with defined Industry 4.0 standards and key trends in promising industries, and, finally, supporting investment in key trends (artificial intelligence, space technology laser technologies, defence technology, nanotechnology, biotechnology, energy saving solutions, etc.).

Space activities

Space activities are a dynamically developing area whose progress is reflected in many sectors of human activity. The Government is aware of the importance of space activities for the national economy and the importance of close cooperation with the European Space Agency (ESA) and the European GNSS Agency⁶⁷ (GSA) in particular to increase the technological level of Czech industry and its competitiveness. The government also supports the widespread use of satellite data and services provided by EU space programmes, such as the Galileo and EGNOS navigation programmes and the Copernicus Earth observation programme.

The top-level strategic document in the field of space activities is the *National Space Plan 2014–2019*, which was approved by the Government by its Resolution No 872 of 27 October 2014. During 2019,

⁶⁷ Global Navigation Satellite System.

the Ministry of Transport will submit to the Government a proposal for a new *National Space Plan 2020–2025*, which will reflect the development of space activities on a European and global scale and a shift in the capacities of the Czech space industry, which sets out priority areas and directions for Czech space sector for the next period.

Investing in space activities

ESA programmes are the main tool for the implementation of space activities in the Czech Republic. ESA's optional programmes allow Czech companies and academic institutions to participate directly in European space projects, from small-scale activities to high-profile projects, such as the new generation of European launchers (Ariane 6 and Vega C) or the robotic Mars exploration (ExoMars). ESA's programmes, with the participation of more than 60 industrial and academic entities from the Czech Republic, have provided growth for the Czech space industry and the opportunity to cooperate with European leaders. In order to ensure the further development of the space sector in the Czech Republic and the establishment of the Czech Republic as a European partner in this area, the contributions of the Czech Republic to the optional ESA programmes for the following years should be increased.

The Czech Republic also seeks to ensure the continuation of funding for the *Framework project to implement the support that ESA will provide to space-related activities in the Czech Republic* (Framework Project) at the current level. The Framework Project is a unique tool for supporting technologies that could not be realized by another mechanism. The Framework Project will enable Czech entities to prepare technologies to such an extent that they can then effectively compete with more technologically advanced foreign competitors. This will significantly increase the chances of Czech entities to participate in large consortia and subsequently supply chains. The emergence and continuation of the Framework Project stem from the *National Space Plan*.

3.5.2 Transport infrastructure

The current state of the Czech transport network in terms of quality and functionality still does not reach the level of the original 15 EU Member States, despite the visible progress achieved thanks to EU structural policy. This situation is seen as one of the main obstacles to achieving a higher rate of economic growth in the Czech Republic. Effective completion of the backbone transport infrastructure and connection of the remaining regions and major industrial centres to the main Czech and European routes is considered by the Government as a necessary condition for sustainable economic growth on the basis of improving the competitiveness of the Czech economy, including the removal of barriers to entrepreneurship in regions with poor quality transport accessibility.

Act to accelerate the construction of transport and other infrastructure

The Act, which, in contrast to the generally applicable legal regulations, specifies the procedures for the preparation, siting and permitting of transport, water and energy infrastructure and electronic communications infrastructure, and the purpose of which is to accelerate the construction of selected types of buildings, is Act No 416/2009 on accelerating the construction of transport, water and energy infrastructure and electronic communications infrastructure, as amended. This Act was last amended by Act No 169/2018 of 18 July 2018.

This amendment brought a fundamental improvement in the area of **property-law preparation of construction projects** (introduction of an interim decision in decision-making on expropriation in the case of key transport infrastructure projects) and other changes in the area of State administration in delegated competence, where the competence to conduct spatial proceedings and expropriation proceedings for transport infrastructure projects changed from 1 August 2019 so that the regional authority will have competence in the first instance, the appeal will then be dealt with by the MoT or

the MoRD, depending on the type of structure. The Act also contains partial amendments removing serious obstacles to the preparation of transport infrastructure projects.

Currently (04/2019), another (Government) **amendment to this Act** is discussed at the Legislative Council of the Government, with co-coordinators, in addition to the Ministry of Transport, being the Ministry of Industry and Trade and the Ministry of Regional Development. In particular, this amendment seeks to allow the permitting of transport structures based on documentation of lower detail than the building permit documentation, and to eliminate the requirement to issue separate administrative acts pursuant to Act No 114/1992 on nature and landscape protection, as amended, in cases where the project is also subject to environmental impact assessment pursuant to Act No 100/2001 on environmental impact assessment, as amended. Furthermore, the draft act includes, among other things, the introduction of restrictive rules for lodging appeals against administrative decisions required for the implementation of transport infrastructure projects and proposes the introduction of deposits for appeals lodged in this way. These changes are the subject of inter-ministerial negotiations and the final wording cannot be anticipated for now.

Environmental impact assessment

On 6 October 2017, the Act amending the Environmental Impact Assessment Act came into force with effect from 1 November 2017⁶⁸. Furthermore, the amendment to the Building Act⁶⁹ enacted the possibility of the process **integration of environmental impact assessment** (EIA) into the proceedings under the Building Act, i.e. the inclusion of the EIA process in the spatial permit proceedings or in the joint spatial permit and building permit proceedings. In connection with the amendment to the Building Act, the Environmental Impact Assessment Act was amended with effect from 1 January 2018.

The above-mentioned amendments to the Environmental Impact Assessment Act aim to transpose the amended EIA Directive and to further streamline and speed up the permit processes. Further simplification of processes in the environmental area is the subject of an amendment to Act No 416/2009 on accelerating the construction of transport and other infrastructure, see above.

Effective strategic planning and its implementation

Strategic documents *Transport Policy of the Czech Republic 2014–2020 with a view to 2050* and *Transport Sector Strategies* ensure the annual planning of the construction project preparation process and linking the most important transport infrastructure investment projects to the State budget and budget of the State Fund for Transport Infrastructure.

Among the key priorities are the development of transport infrastructure, including the use of the public-private partnership for the sector's preparedness for lower national and European resources in the coming years, as the lack of direct public funding should not lead to a slowdown in development transport infrastructure.

Another long-term priority is the harmonization of conditions on the transport market, the development of rail and water transport, the improvement of the quality of road transport, the support of multimodal transport systems, the stabilization of public transport financing or the use of alternative drives (CNG with emphasis on the use of biomethane, LNG, hydrogen and electricity). Fulfilling these priorities will continue in 2019.

⁶⁸ Acts No 326/2017 amending Act No 100/2001 on the assessment of environmental impacts and amending certain related acts (the Environmental Impact Assessment Act), as amended.

⁶⁹ Act 225/2017, amending Act No 183/2006, on spatial planning and the Building Code (the Building Act), as amended, and other related acts.

In the area of **urban mobility**, in 2017, most cities over 50,000 inhabitants gradually started the process of developing sustainable urban mobility plans. These plans will continue to support urban projects contributing to sustainable mobility.

Priority infrastructure building projects

Priority projects in the field of **railway infrastructure** include the completion of transit railway corridors including railway hubs (until 2025) and the modernization of additional lines on the main and global network – the Trans-European Transport Network (TEN-T). Priorities also include the modernization of lines outside of TEN-T, which ensure connection of important industrial zones (e.g. Nymburk - Mladá Boleslav) or lines important for suburban transport. The modernization and building a double track on the Velký Osek - Choceň railway line will also play a key role, because after this modernisation this line will become the main freight transport line within the TEN-T core network.⁷⁰ Another priority is the deployment of ETCS security systems⁷¹ and switching to an AC power system.

In 2019, a feasibility study for **high-speed connection** Prague – Ústí n/L – Dresden should be completed⁷² and in 2020, the feasibility study for the high-speed line Prague – Brno – Břeclav should be completed. During 2019, feasibility studies for the Brno – Přerov – Ostrava and Prague – Wrocław lines are expected to start. In 2018, pilot sections of high-speed lines with an accelerated project preparation regime were selected. These are Prague Běchovice – Poříčany, Brno – Vranovice and Přerov – Ostrava. The commencement of these sections is expected in no earlier than in 2025–2028, and therefore increased attention must be paid to the further development of the conventional rail network. With the integration of high-speed railway connection to the Prague railway hub, it is necessary to quickly address its sufficient capacity also for trains from these lines, as the current capacity is not sufficient even for today's demand for passenger and freight transport. In terms of the preparation of high-speed lines, stabilization in spatial planning documents will be needed as soon as possible.

Priority projects in the field of **road infrastructure** include, in particular, the construction of missing motorway and road sections on the main and global TEN-T network (until 2030 and 2050, respectively) and the construction of bypasses of cities and towns.

Great attention will be paid to the improvement of legislative conditions in the transport sector and the development of **intelligent transport systems** (ITS), which are also a tool for optimizing the use of transport infrastructure capacity.

Autonomous mobility

By its Resolution No 720 of 11 October 2017 on the *Vision of the Development of Autonomous Mobility*, the Government instructed the MoT to prepare the *Action Plan for Autonomous Driving* and its submission to the Government. It defined the basis for autonomous mobility, the individual perspectives of autonomous mobility, and the main areas to be further developed. The document *Vision of the development of Autonomous Mobility* is directly linked to and further elaborates on the topics set by it. Now it is in preparation – after the inter-ministerial comment procedure and its settlement has been completed, it is ready for submission to the Government.

⁷⁰ However, the increase in the capacity of railway, which gradually ceases to suffice, must also be addressed urgently on other routes. The worst situation is on the main railway corridors, in Prague and its surroundings (e.g. near the Prague-Libeň railway station), on the Prague-Olomouc route and on some lines connecting industrial zones.

⁷¹ European Train Control System

⁷² In connection with the elaboration of a feasibility study for Prague – Ústí nad Labem – Dresden, intensive international co-operation in the preparation of the cross-border section is under way and a territorial-technical study is being prepared to connect Václav Havel Airport to this route.

On the basis of one of the tasks of the *Vision of Development of Autonomous Mobility*, a tender has been announced for a study of the opportunities *Assessment of the Strategic and Economic Advantage of Polygon Construction for Research and Development, Testing and Approval of Data Interconnected Vehicles and Automated Control Vehicles in the Czech Republic*. The polygon is not intended as a competition nor a commercial alternative for polygons to be built by private companies. This polygon is supposed to be accessible to all, and intended for testing of not only vehicles, but also telecommunications environment – that is, data exchange and positioning, security of systems, etc. This will become a common part of transport infrastructure, whose operation and development falls under the responsibility of the State.

At present, work has started on the preparation of the *Catalogue of Test Areas for Autonomous Vehicles in Standard Road Traffic*, which is scheduled to be completed in September 2019. The aim of the catalogue is to enable testing of autonomous vehicles in traffic situations common to the Central European region. The Catalogue will be designed for those interested in testing in the Czech Republic and will have a list of test sections with specific conditions for this testing.

The number of **data-linked and automated vehicles** will grow significantly in the coming years; in order to be prepared for this, the Czech Republic launched the European project C-Roads.

Europe-wide C-Roads projects, co-funded by the Connecting Europe Facility, are not just about building smart motorways. Public transport vehicles are also involved in the exchange of road traffic data between cars and between infrastructure and vehicles. Ostrava and Pilsen are among the first “smart” European cities in which the technology of cooperative ITS systems (C-ITS) is deployed in the fourth stage of the C-Roads Czech Republic project. It is also preparing to deploy this technology at selected level crossings.

Support for alternative-drive vehicles

In addition, the third call to support the purchase of vehicles with alternative drive for municipalities, regions and organizations set up by them was announced in December 2018 under the *National Program Environment (NPE)*, financed by the SEF, with an allocation of CZK 100 million. Newly, ministerial state administration bodies are also covered by the call and bonuses for non-public charging stations are provided. The call runs until the end of September 2019 or until the allocation is fully used. Within the previous 2 calls, over 500 vehicles were supported, of which $\frac{3}{4}$ were electric vehicles.

Support for the acquisition of low-emission and emission-free vehicles for public transport is part of SO 1.2 IROP with an allocation of EUR 512 million. More than 40% of the SO 1.2 allocation is intended for the purchase of vehicles, of which 41% is for individual projects throughout the Czech Republic except Prague and 59% is intended for so-called integrated projects in ITI metropolitan areas and IADP agglomerations. In the field of renewal of the public transport vehicle fleet with alternative-powered vehicles, IROP supported 54 projects worth CZK 4.85 billion by the end of 2018, of which 13 projects were in progress and 41 projects completed by 31 December. The acquisition of 438 public transport vehicles (electric buses, CNG buses, trolleybuses and trams) has contributed significantly to the development of low noise and environmentally friendly low carbon transport systems. This should reduce the annual emissions of primary particles and secondary particle precursors by at least 400 tons.

Within the OP EIC 2014–2020, a separate activity *a) Electromobility* is included in Priority Axis 3 among measures for efficient energy management and new technologies in this area in the sub-programme *3.4 Low Carbon Support Technologies*. So far, 156 projects totalling almost CZK 148 million have been approved under this activity for entrepreneurs, especially for smaller projects for the acquisition of in-company, predominantly utility emission-free vehicles, and typically by an amount of

up to CZK 1 million per project. On 30 November 2018, the 4th call was announced with the allocation of CZK 200 million (call termination – 31 May 2019).

Within the territory of Prague it is possible to support low-emission mobility in urban transport within the new specific objective 2.3 of the Operational Programme Prague – Growth Pole. The first call of this specific objective (the 43rd call of the operational programme) will allow the purchase of emission-free electric buses with both static and dynamic charging and the building of a charging infrastructure for electric buses.

3.5.3 Climate change, environment, agriculture, energy and raw materials

Climate change

At the national level, on 22 March 2017, the Government approved the *Climate Protection Policy of the Czech Republic*, which represents the Czech Republic's strategy for climate protection by 2030 and the long-term outlook for 2050 in line with the transition to an efficient low-carbon economy. At the same time, the *Policy* serves as the national low-emission strategy in line with *UN Framework Convention on Climate Change and EU Regulation 525/2013*. The stated objectives are based on the Czech Republic's international commitments to reduce greenhouse gas emissions and relevant EU legislation and strategies, in particular from the 2020 climate and energy package and the new climate and energy framework until 2030. The implementation of policy measures will continue in 2019 and it will be evaluated by the end of 2021 and its update will be prepared by the end of 2023.

Climate protection and adaptation to change

Vulnerability of the Czech Republic to the manifestations of climate change was assessed as very high – of the 98 indicators evaluated, only 9 indicators are evaluated purely positively, while 32 indicators have a negative assessment⁷³. Very high vulnerability has been identified in relation to floods and, together with the increase in average temperature and the long-term drought, it constitutes three key manifestations of climate change, on which adaptation measures should focus as a matter of priority. Of the ten areas considered (vulnerable sectors), high or very high vulnerability has been identified in agriculture, forestry, the population and urban environment. One of the most important elements of the Czech Republic's vulnerability is water management, as a large number of negatively assessed vulnerability indicators are related to poor water management in the Czech landscape, which is not sufficiently capable of retaining water. This assessment was prepared by CENIA in 2018 on the basis of available data from 2014 and the set of indicators is based on the *National Action Plan for Adaptation to Climate Change*⁷⁴ (NAP A), which is the implementation document of the *Strategy for Adaptation to Climate Change in the Czech Republic*⁷⁵.

Both these strategic documents create a national framework for measures for climate change adaptation with the aim of reducing the risks and negative impacts of climate change in the Czech Republic. The NAP A is focused on addressing all identified major manifestations of climate change in the Czech Republic – i.e. long-term drought, floods and flash floods, rising temperatures, extreme meteorological phenomena (heavy rainfall, extremely high temperatures, extreme wind) and natural fires. It also responds to identified water management problems in order to improve rainwater management, hydro-morphological conditions in watercourses, wastewater treatment, water retention in the landscape and support for green infrastructure (both in the open landscape and in settlements).

⁷³ Assessment of the Czech Republic's vulnerability to climate change in 2014 (CENIA, 2018).

⁷⁴ Approved by Government Resolution No 34 of 16 January 2017.

⁷⁵ Approved by Government Resolution No 861 of 26 October 2015.

Adaptation measures are financially supported by EU funds: Operational Programme Environment (OP E), Rural Development Programme (RDP), LIFE Programme, etc. and from national programmes, such as Support for the Restoration of Natural Landscape Functions, Landscape Care Programme (LCP), and NPE.

The Ministry of the Environment commenced work on updating the *Strategy for Adapting to Climate Change in the Conditions of the Czech Republic* and the NAP A. This process will include an assessment of the changes in vulnerability to climate change as of 2018.

State Environmental Policy

In 2019, other activities related to the fulfilment of the strategic objectives set in the current *Environmental Policy of the Czech Republic 2012–2020* (SEP) will continue.

The Ministry of the Environment has already started work on the **preparation of a new SEP** for the period 2021–2030, with a view to 2050, by preparing analytical materials, which will ensure continuity and improvement of already set processes. More detailed evaluation of SEP fulfilment, identification of potential threats and new opportunities in environmental protection are being prepared. The main document preparation activities are planned for 2019. The final version of the *State Environmental Policy 2030 with a view to 2050* will be submitted to the Government for approval by the end of 2020.

Regarding the issue of environmental impact assessment, Act No 326/2017 amending the Environmental Impact Assessment Act with effect from 1 November 2017, came into force on 6 October 2017. Furthermore, the amendment to the Building Act (Act No 225/2017 amending Act No 183/2006 on spatial planning and the Building Code – the Building Act) enacted the possibility of the process integration of environmental impact assessment (EIA) into the proceedings under the Building Act, i.e. the inclusion of the EIA process in the spatial permit proceedings or in the joint spatial permit and building permit proceedings. In connection with the amendment to the Building Act, the Environmental Impact Assessment Act was amended with effect from 1 January 2018.

The above-mentioned amendments to the Environmental Impact Assessment Act aim to transpose the amended EIA Directive and to further streamline and speed up the permit processes. The former amendment brought many positive impacts, when the regional authorities deal with a significantly smaller number of below-the-threshold projects than before the amendment. In addition, the amendment succeeded in speeding up the environmental impact assessment processes so that it is possible to issue a binding opinion on the environmental impact assessment of a project within 5 months of submitting the environmental impact documentation to the competent authority. At the same time, Annex 1 to the Environmental Impact Assessment Act was revised to include only the projects listed in the Annexes to the EIA Directive. These facts have positively influenced the business environment by streamlining and accelerating procedures under the Environmental Impact Assessment Act.

In relation to **strategic environmental assessment** (SEA), the selected provisions have been refined in line with the EU approach, introducing the possibility of waiving public consultation under certain conditions, thus contributing to the acceleration of the SEA process, the extent of public participation remaining unaffected. Furthermore, the competence to assess the effects of strategies whose territory concerned constitutes the whole territory of the region or covers a national park or protected landscape area, was transferred from the Ministry of the Environment to the regional authorities whose territories are concerned by the strategy, which moved the competent authority closer to the area concerned.

Waste management

In the autumn of 2018, the Ministry of the Environment drew up **proposals for a new Waste Act**, End-of-Life Products Act and an amendment to the Packaging Act. In 2019, they will undergo the

legislative process. The new acts were drafted in view of the need to transpose 4 directives of the European Parliament and of the Council in the field of waste management, which were issued as part of the so-called “circular economy package” and published in the EU Official Journal on 14 June 2018.

At the end of 2018, work began on the preparation of the Strategic Framework for circular economy in the Czech Republic *Circular Czech Republic 2040*. The aim of the strategic framework will be to analyze the current situation, define the priorities of the Czech Republic in the area of circular economy, formulate individual objectives within these priorities and determine what measures and tools the Czech Republic should use to achieve them. The adoption of the document is expected in early 2021.

Measures to promote higher levels of waste management hierarchy are and will continue to be financed by Structural Funds.

In the context of the adoption of European regulations on **mercury and ecotoxicity**, an amendment to the current Waste Act (and several other acts) has been prepared. The draft act amending certain acts in connection with the adoption of the Regulation (EU) of the European Parliament and of the Council on mercury was approved by the Chamber of Deputies in December 2018 and by the Senate in January 2019. The amendment to the Act was promulgated under No 45/2019 in February 2019.

Following the increase in the efficiency of separate collection of **biodegradable waste**, Decree No 210/2018 amending Decree No 321/2014 on the extent and method of ensuring separate collection of municipal waste components was promulgated in the Collection of Laws on 27 September 2018. The Decree introduces an obligation for municipalities to provide places for separate collection of biological waste of plant origin throughout the year and came into effect on 1 April 2019. The Decree also introduces an obligation for municipalities to provide places for separate collection of edible oils and fats throughout the year, starting from 1 January 2020.

Following the approval of the directive on limiting the environmental impact of certain **plastic products**, it will be transposed into Czech law.

On the basis of an arrangement between the CZSO, MoE and the OoG concerning the **reporting of municipal waste production**, which was signed in 2016, activities will continue to ensure progress in the area of unification of reported data on waste management in the Czech Republic and reduction of the administrative burden of reporting entities.

Air protection

As in previous years, the measures set out in the *Medium-Term Strategy (until 2020) for improving air quality in the Czech Republic* are being implemented. The deadline for implementation of the individual measures is 2030, depending on the type of specific measures. The medium-term strategy (up to 2020) for improving air quality in the Czech Republic is a strategic framework for individual defining concepts in air quality management in the Czech Republic. Namely, it is the *Czech Republic's National Emission Reduction Programme* and air quality improvement programmes created for individual zones and agglomerations in the Czech Republic, where the limit values are exceeded.

All these documents are currently being updated, and the update will also respond to the conclusions of the Clean Air Dialogue held in the Czech Republic in the presence of Commissioner K. Vella in autumn 2018. The Czech Republic's National Emission Reduction Programme is a document that sets out a strategy for reducing the amount of pollutants released into the air. The current update of the *Czech Republic's National Emission Reduction Programme* is mainly related to the need to comply with all obligations set out in Directive (EU) 2016/2284/EU of the European Parliament and of the

Council on the reduction of national emissions of certain air pollutants. The document will be approved during 2019.

Air quality improvement programmes are also currently being updated. By the end of this year, the analytical work will be completed, the SEA process will take place at the beginning of 2020 and the new programmes will be officially published in the Bulletin of the Ministry of the Environment. The new programmes will build on the previous programmes, focusing on the development of air quality and measures to improve air quality in 2020+.

Financial support for the implementation of the measure continues to be provided by the OP E (support for projects aimed at reducing emissions of industrial sources and replacing obsolete solid fuel combustion installations in households). Some measures are supported by other operational programmes: OP T, OP EIC, RDP, IROP, OP PGP. The State Environmental Fund also provides financial support (support for the introduction of low-emission zones and support for personnel capacities of municipalities and regions to implement air quality improvement programmes)

Reducing flood risk and drought impacts

A major task for the Czech Republic will be to further reduce flood risks, especially in areas with significant **flood risk**. To this end, the Czech Republic will continue to apply the principles and objectives of the approved flood risk management plans and to support the implementation of general non-construction measures as well as nature-friendly and technical flood control measures specified in these planning documents. At the same time, another planning cycle will be carried out according to the Flood Directive 2007/60/EC. This planning cycle ends in 2021 with the approval of the update of flood risk management plans.

The key area is also the **issue of drought** and its impacts, and therefore the Czech Republic continues to implement the recommended measures based on the *Strategy of Drought Impact Protection for the Territory of the Czech Republic* using the implemented measures. It was approved by the Government in July 2017. The optimization of the water regime in the landscape can be achieved in a comprehensive and integrated manner, which includes the implementation of measures on watercourses and floodplains (revitalization of watercourses and floodplains, implementation of flood protection measures as close to nature as possible – restoration of natural floods, environmentally oriented watercourse management) and in the river basin area (measures to slow down surface water runoff, erosion control measures). Promoting rainwater management in urban areas is also crucial. The OP E supports projects that help to solve problems in the drought area in the Czech Republic, specifically within the Priority Axis (PA) 1: Improving water quality and reducing flood risk, and PA 4: Protection and care of nature and landscape.

Agricultural policy

Also this year, discussions on the **future shape of the Common Agricultural Policy (CAP)** after 2020 take place at national and European level. The CAP is one of the Czech Republic's top priority areas and should remain a strong common but modernized and simplified policy, which will continue to be able to meet its objectives and face new challenges. The key topics for negotiations for the Czech Republic are the provision of sufficient sources of funding, efforts to promote capping as a voluntary instrument, efforts to enforce the application of the institute of a real/active farmer on a voluntary basis, efforts to maintain and potentially increase the financial envelope for aid intended for sensitive commodities, as well as simplification in the form of removing the obligation to plan outputs and financial indicators at the intervention level on an annual basis. Simplification is also necessary in relation to cross-compliance. The priority will also be to set up and approve the Commission's control system, which will not be subject to subsequent sanctions.

The subsidies for the Common Agricultural Policy for 2014–2020 continue to be drawn within the framework of direct payments (from the European Agricultural Guarantee Fund) and *the Rural Development Programme 2014–2020* (from the European Agricultural Fund for Rural Development). So far, 7 application rounds have been launched to support investment in agricultural, food and forestry businesses and cooperation projects. Of the total budget, 47% have been used up and another 29% is made up of commitments.

In April and May, applications for RDP **environmental measures** will be received under the single application 2019. Applications for measures concerning agri-environment-climate, organic farming, Natura 2000 on agricultural land, payments for areas with natural or other specific constraints, animal welfare and forest-environmental and climate services and forest protection will be received. The continuous receipt of applications under afforestation and forestry measures will continue until the end of November 2019. In the autumn, the 8th round of receipt of applications for project measures will also take place. Support to be provided will include investments in the development of forest areas and the improvement of forest viability.

In parallel, in April and May 2019, applications for direct payments (single area payment, support for sensitive commodities, greening and a young farmer) are received under the single application. Almost CZK 22 billion will be distributed this year.

The implementation of the *Strategy of the Ministry of Agriculture of the Czech Republic with a view to 2030* will also continue in 2019. The implementation will continue to aim to ensure compliance with the strategic objectives, such as ensuring food security and food safety, increasing efficiency, competitiveness and export performance of enterprises, increasing soil protection, sustainable forest management and water management, and finally also water resources care.

From 1 January 2019, area protected from water erosion increased from 10.52% to 25%. As of the same date, farmers had more updated soil protection technologies available and a the erosion threat layer has been redesigned.

Energy and raw material efficiency

In 2018, additional policy measures under the so-called “alternative scheme” were identified and evaluated to meet the obligation under Article 7 of the Energy Efficiency Directive, which were not included in the 2017 *Update of the National Energy Efficiency Action Plan*. These are legislative measures prohibiting the placing on the market of emission class 1 and 2 boilers pursuant to Act No 201/2012 on air protection, which, according to the Ministry of Industry and Trade, led to savings that can be declared towards the obligation under Article 7 of the Energy Efficiency Directive at approx. 0.6 PJ. Furthermore, the Ministry of Industry and Trade evaluated the achieved energy savings from projects within IROP Specific objective 1.2 Increasing the share of sustainable forms of transport, namely projects for the replacement of diesel buses for more energy efficient alternatives. Under this programme, an additional energy saving of 0.23 PJ was evaluated, which can be declared towards the obligation under Article 7 of the Energy Efficiency Directive.

In 2018, a **change to ENER**G programme was approved in order to increase absorption capacity. The most significant changes concern the extension of eligible beneficiaries to large enterprises, the extension of eligible financial contribution expenditure to technical assistance linked to project preparation and, in general, changes to reduce the administrative burden related to submitting the application.

The **EFEKT programme** has long focused on supporting investment measures and non-investment measures. Currently, the *State Energy Saving Programme 2017–2021*, called EFEKT 2, is being

implemented. EFEKT 2 puts more emphasis on soft measures aimed at raising awareness of the benefits of energy savings, providing energy counselling, supporting the implementation of EPC⁷⁶ projects and implementation of energy management. The amount allocated for the EFEKT 2 programme for 2017–2021 is CZK 750 million (maximum CZK 150 million per year). In 2019, ongoing calls will be launched to support the implementation of EPC projects and the implementation of energy management.

In 2019, the Ministry of Industry and Trade is preparing an evaluation of the impacts of other implemented policy measures to fulfil the obligation under Article 7 of the Energy Efficiency Directive. Specifically, it is planning to evaluate the achieved energy savings from investment measures supported by the OP EIC and OP T. The Ministry of Industry and Trade is also preparing a methodology for evaluating the implemented tax measures, specifically for assessing the effects of fuel excise duties on energy consumption with a potential for declaration towards the obligations under Article 7 of the Energy Efficiency Directive.

In relation to the low awareness of the wider benefits of energy savings and the low energy consumer incentives to implement comprehensive energy saving measures, the MIT has commissioned the preparation of a single information strategy to raise awareness of energy savings, which, among other things, should identify the most appropriate ways and communication channels for each type of energy consumer.

The issue of increasing the share of **alternative fuels** and infrastructure for alternative fuels for road transport is addressed in the government-approved *National Action Plan for Clean Mobility*. In this context, a grant programme was launched in early 2018 to build a backbone network of fast-charging stations. In total, CZK 550 million will be distributed within four calls under this programme. Further calls were announced during 2018: To support the development of an additional network of conventional charging stations, to support the development of CNG, LNG and hydrogen stations. A total of CZK 1.2 billion is earmarked for the grant programme for the development of alternative fuel infrastructure.

Energy saving measures are supported through OP E (for public sector buildings), OP EIC, OP Prague - Growth Pole (PGP) - public buildings in Prague, and IROP (residential buildings outside Prague), within the national programmes through the *New Green Savings* (NGU) – family houses, apartment buildings in Prague, construction of apartment buildings in a passive standard, increasing the applicant's own resources for approved applications under SO 5.1 of the OP E 2014–2020 for measures in buildings of central institutions. Within the OP E 2014–2020, it is specifically PA 5 – Energy savings. As of 29 January 2019, 1,376 projects worth around CZK 5.2 billion of EU funds were approved under SO 5.1 *Reduce the energy intensity of public buildings and increase the use of renewable energy sources*. However, most of the applications under the 100th call which was closed on 31 January 2019 has not yet been evaluated.

In the case of SO 5.2 *Achieve a high energy standard for new public buildings*, 22 projects have been submitted under the 61st call, which will run until 31 October 2019, of which 9 have already been approved by the Managing Authority. The applications submitted have already exceeded the allocation for SO 5.2.

The NGS programme has seen expansion of the portfolio of measures and adoption of modifications to simplify and streamline administration for applicants, in the support for family houses, apartment buildings and public sector buildings. Further modifications to the programme, such as the extension of two new sub-programmes (*Adaptation and Mitigation Measures* and *Financial Guarantees*), the

⁷⁶ *Energy Performance Contracting*.

alignment of support for residential buildings with the support rate in IROP are under preparation and will be implemented during 2019.

As of 31 January 2019, 31,748 projects with a total support claim of CZK 6.6 billion were at various stages of implementation under the sub-programme **Family Houses**, of which 24,368 applications with support of CZK 4.4 billion were reimbursed to beneficiaries. As of 31 January 2019, 489 projects with a total support claim of CZK 449 billion were at various stages of implementation under the sub-programme **Residential Houses**, of which 341 applications with support of CZK 272 billion were reimbursed to beneficiaries.

Under the sub-programme **Public Sector Buildings**, 136 projects were submitted and approved for support from NGS, with the requirement for co-financing from NGS in the amount of CZK 1,704 million in the 19th, 39th and 70th calls. As of 31 January 2019, 54 projects were supported with an amount of CZK 169 million. Within the 100th call, as of 31 January 2019, 2 projects were approved for support from NGS, but most of the 100th call applications have not yet been evaluated.

Reducing energy intensity is also part of a comprehensive **renovation of apartment buildings** within the national *programme Concrete Prefab Block 2013+*. This is a form of subsidized (low-interest) loans with an incentive effect towards energy savings, which at the same time allows the re-use of funds to support other projects.⁷⁷

Secondary Raw Materials Policy of the Czech Republic

The update of the *Secondary Raw Materials Policy* (SRMP) was acknowledged by the Government on 28 January 2019. The SRMP will be submitted for approval after assessing the environmental impact of the change by 30 November 2019. The main objective of the document is to continue the trend of increasing the share of recovered raw materials in the total consumption of raw materials within the Czech economy. The value of this indicator, the so-called Circular Material Use Rate (CMU), defined by Eurostat, has risen from 6.9% to 7.6% in the Czech Republic between 2014 and 2016, but is still below the EU average. Therefore, the updated SMRP sets 19 new tasks aimed at creating favorable conditions for business entities in connection with the transition of the Czech Republic to a new economic system of the circular economy.

The fulfilment of tasks is spread over the period 2019–2022, with a particular focus on supporting innovative technologies as a tool for reducing material and energy demands of industrial production, material ecodesign solutions, industrial symbiosis and other related areas. Important tasks also include draft legislation laying down the criteria for materials not to be considered as waste but as by-products or non-waste, as well as proposals for tax support for products made from secondary raw materials and recycled materials, preparation of a catalogue of products containing secondary raw materials, etc. At the same time, the promotion of awareness raising and training in the field of circular economy will continue as a necessary component for ensuring the implementation of new directions and changes in industry, the service sector and our entire economy and the acceptance of these changes by the public and the professional community.

To support the building of infrastructure for efficient use of resources, the OP EIC has created a specific programme to support innovative technologies for the processing and use of secondary raw materials, which are used to replace primary raw materials in production, or to produce final products containing secondary raw materials. There have already been three calls with a total amount of support

⁷⁷ The measure has significant multiplier effects for the construction sector with a positive impact on the state budget. In 2018, 51 applications for CZK 183.29 million were received and 47 contracts for CZK 200.49 million were concluded. In addition, 3 loan commitments of CZK 13.79 million were provided, which pass on to 2019. Also, three active applications worth CZK 6.54 million were also transferred to 2019. The program budget for 2019 is CZK 250 million.

of approximately CZK 350 million. For 2019, the 4th call is announced with an allocation of CZK 500 million.

4. Progress towards national targets under Europe 2020

Table 1: Overview of progress towards quantitative targets under Europe 2020

Area	National target	Reference value (reference year)	Current progress (as of)
Employment	Increase total employment rate of persons aged 20–64 to 75%	70.4% (2010)	79.9% (2018)
	Increase the employment rate of women aged 20–64 to 65%	60.9% (2010)	72.2% (2018)
	Increase the employment rate of older persons aged 55–64 to 55%	46.5% (2010)	65.1% (2018)
	Reduce the unemployment rate of young people aged 15–24 by a third from 2010	18.3% (2010)	6.7% (2018)
	Reduce unemployment of low skilled persons (ISCED 0–2) by a quarter compared to 2010	25% (2010)	10.7% (2018)
Poverty and social exclusion	Reduce the number of persons at risk of poverty, material deprivation or living in households with very low work intensity by 100,000 compared to 2008	1,566 thousand (2008)	1,264.2 thousand (2018)
Education	Reduce the number of early school leavers to 5.5%	4.9% (2010)	6.7% (2017)
	Achieve at least 32% of the population in the 30–34 age group in tertiary education	20.4% (2010)	34.2% (2017)
Research, development and innovation	Achieve 1% of GDP in public spending on science, research, development and innovation in the Czech Republic	0.62% (2010)	0.70% (2017)
Climate and energy policy	Reduce greenhouse gas emissions – Maximum allowable increase in non-ETS emissions 9%	+0.4% (2005)	+1.9% (2016)
	Increase of RES share in gross final energy consumption (13%) and share of renewable sources in transport (10%)	6% (2005) and 0.5% (2005)	14.76% (2017) and 6.58% (2017)
	Increasing energy efficiency – national energy efficiency target, i.e. reduce final energy consumption to a maximum of 1060 PJ by 2020.	- (2014)	1067 PJ (2017)

Source: Eurostat, CZSO

4.1 Employment

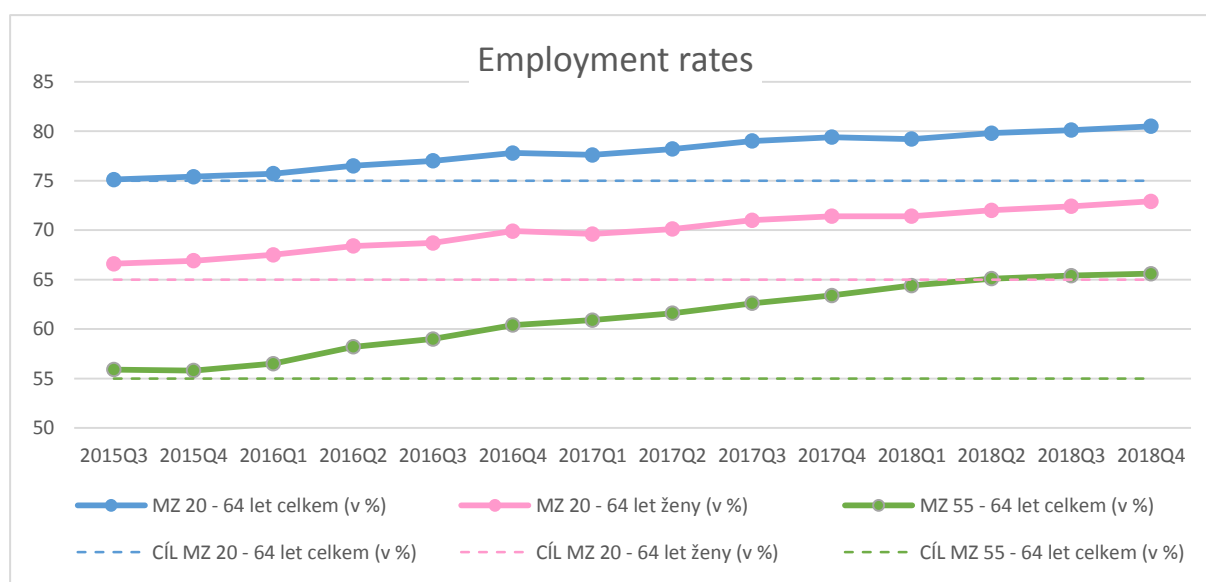
All employment policy objectives were achieved by Q4 2016, and since then the target values have been achieved. The national target to increase the employment rate in the 20–64 age group to 75% was achieved in Q3 2015 and reached 80.1% in Q3 2018. The 2018 average was 79.9%. This indicator grew by 1.4 pp year-on-year. As in previous years, women and older people account for most of the employment growth. The employment rate of women aged 20–64 reached 72.2% in 2018 and the national target was thus exceeded by more than 7 percentage points and was reached at the end of 2014. Female employment increased by 1.7 pp year-on-year. An even more significant increase was achieved in the elderly when the employment rate of 55–64 years increased by 3.0 pp year-on-year to 65.1% in 2018. In this case, the target value was reached in 2015.

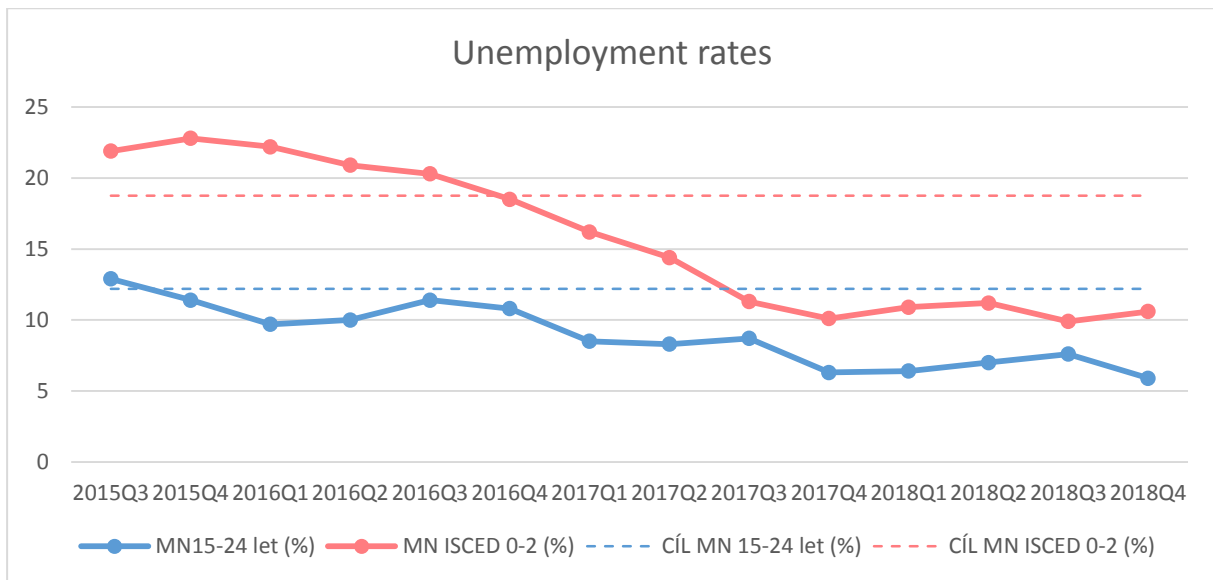
Employment growth is mainly due to the favourable economic situation characterized by high demand for labour. The gradual increase in the retirement age plays an important role in increasing the employment of older people. Female employment, which in addition to higher age groups also recorded an increase in the age group of 35–39 (2.7 pp year-on-year), is facilitated by the capacity of childcare facilities and the increasing willingness of employers to promote work-life balance.

In 2015, the national sub-target of reducing youth unemployment, i.e. people under 25, was also achieved. Specifically, this happened in Q2 2015. In 2018, the youth unemployment rate was 6.7%, down 1.2 pp year-on-year. The national target is thus exceeded by more than a third.

The most difficult target to fulfil was the partial national target of decreasing the unemployment of persons with low education (ISCED level 0–2), i.e. persons with no more than basic education. The position of these persons on the Czech labour market is worsened by their relatively lower frequency in the population, and usually they enter the labour market only when there is a lack of free workforce with higher qualifications even for auxiliary professions. The partial national employment policy target was only achieved in the final quarter of 2016. Significant labour demand and a high share of vacancies with minimum qualification requirements in recent years have reduced the low-skilled unemployment rate to 10.7% in 2018, a decrease of 2.3 percentage points year-on-year.

Charts 1 and 2: Employment rates (MZ) and unemployment rates (MN)

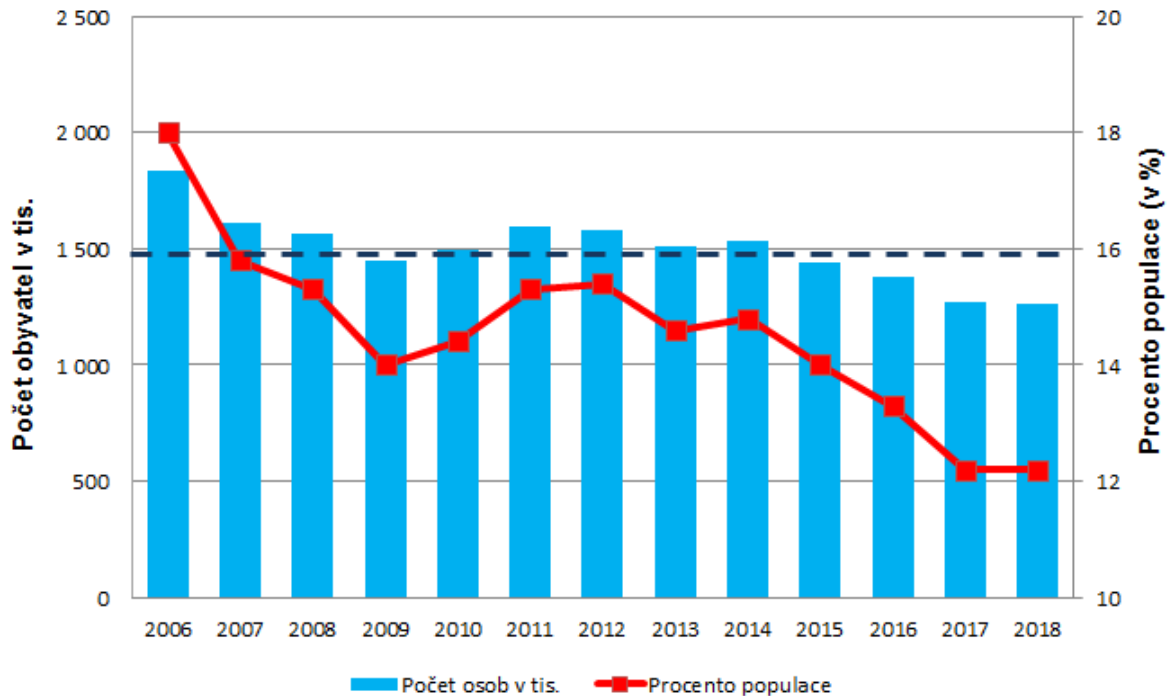




4.2 Poverty and social exclusion

According to the latest comparable Eurostat data, the risk of poverty or social exclusion was reduced by 3.1 pp to 12.2% in 2017 compared to 2008, which was approximately CZK 1,267 thousand persons (average value for EU28 is 22.4%). The share of people at risk of poverty or social exclusion in the Czech Republic in 2017 was the lowest of all EU countries. The long-term development of the at-risk-of-poverty or social exclusion indicator can be seen in the following chart.

Chart 3: Persons at risk of poverty or social exclusion



Source: Eurostat

Note: The blue columns indicate the number of persons (in thousands, left axis). The red line indicates the percentage of population (right axis). The dashed line indicates the national target of 1,466 thousand persons (left axis).

The risk of income poverty decreased further by 0.6 pp between 2016 and 2017 and reached 9.1%. 947.8 thousand people were at risk of income poverty in 2017 in the Czech Republic (down 53,200 from 2016). Even in this indicator, the Czech Republic achieved the best result in the whole EU in 2017 (the EU28 average was 16.9%). In 2018, this indicator increased significantly by 0.6 pp to 9.6% (approx. by 48,400 persons).

In 2018, women (11.4% of all women) were more at risk of poverty than men (7.8% of all men). Persons in households of the unemployed remained the most at risk of poverty (53.2% of persons from these families), whose number has increased quite significantly since 2010 (40.6%) due to an increase in long-term unemployment and in single-parent families (30.1% of persons from these families). The turnaround in the previous trend of reducing the risk of income poverty among unemployed people occurred already in 2010 as a result of a slowdown in household income growth (starting in 2009) in the context of the global economic crisis.

The situation deteriorated mainly in connection with the recession in 2012–2013, when unemployment in the Czech Republic reached its peak, but the situation has been improving in recent years. Therefore, in 2017, compared to 2016, there was a significant decrease in the number of persons in households of the unemployed (3.9 pp) and in single-parent families (5.6 pp). In 2018, compared to 2017, there was a further decrease in the number of persons in the households of the unemployed (0.6 pp). On the contrary, there was a slight increase (0.1 pp) in single-parent families.

Unemployed people, single-parent families with children and families with three or more children are the most at risk of poverty. More than half (53.2%) of income poverty was in 2018 among those whose unemployment was the predominant economic activity in 2017. Nearly one third (30.1%) and one-sixth (15.7%) of single-parent families with children and families with three or more children, respectively, were at risk of income poverty. Another vulnerable group is individuals aged 65 and over, where 36.9% of them are at risk of income poverty.

The material deprivation rate in the whole population decreased by 0.9 pp in 2018 compared to 2017, reaching 2.8%, with greater differences still persisting in its concentration, especially by household type. The 2018 at-risk-of-poverty or social exclusion indicator showed the same value as in 2017 (12.2%). The development of poverty and social exclusion in the Czech Republic in 2010–2018 is shown in more detail in the following table:

Table 2: Poverty in the Czech Republic (persons at risk of poverty in 2010–2018, in %)

Indicator	2010	2011	2012	2013	2014	2015	2016	2017	2018
AROPE (at-risk-of-poverty or social exclusion rate)	14.4	15.3	15.4	14.6	14.8	14.0	13.3	12.2	12.2
AROP (at-risk-of-poverty rate)	9.0	9.8	9.6	8.6	9.7	9.7	9.7	9.1	9.6
MD (material deprivation)	6.2	6.1	6.6	6.6	6.7	5.6	4.8	3.7	2.8
VLWI (very low work intensity households)	6.4	6.6	6.8	6.9	7.6	6.8	6.7	5.5	4.5

Source: Eurostat

In connection with the development of poverty and social exclusion to date, the fulfilment of the new, more ambitious target of the Czech Republic within the *Europe 2020* strategy (reducing the number of people at risk of poverty or social exclusion by 100,000 people) seems to be quite realistic. In 2018 (1,264.2 thousand persons), the number of persons at risk of poverty, material deprivation or living in households with very low work intensity was reduced by about 302 thousand compared to 2008 (1,566 thousand persons).

Despite the government's efforts to prevent the debt business, the number of people with execution continues to grow, with almost a tenth of all Czech citizens aged over 15⁷⁸. Although according to Eurostat statistics, 9.1% of the Czech population is at risk of poverty in the Czech Republic⁷⁹, that is, less than before, statistics are significantly distorted by the way data is collected, because it does not take into account execution and insolvency. The situation is gradually deteriorating almost all over the country⁸⁰. Neither employment nor rising salaries address the situation, as borrowers primarily pay the interest, sanctions and recovery costs without the prospect of ever being able to repay their debts. This has a negative impact on housing, legal employment, crime, health and education.

The amendment to the Insolvency Act, approved by the Chamber of Deputies at the turn of 2018 and 2019, will allow debt relief for a number of people, but there is a risk that its real impact will reduce the need for duplicate review, i.e. the legal uncertainty of the parties to the decision of the court, which will assess at the end of the process whether or not the debtor made effort to repay the debt. Also potentially problematic is the newly introduced condition to prove at the start of the process the ability to repay twice the remuneration of the insolvency trustee, which prevents entry into the debt relief process, thus preventing the only possible solution to an otherwise unsolvable financial situation for the most vulnerable groups, especially old-age and disability pensioners and single mothers.

The key challenge in a comprehensive solution to social exclusion problems is the absence of relevant and timely data. The necessary data, in particular on the distribution of territorial poverty and related social phenomena, are currently being collected in the various statistical systems of individual ministries and institutions in the form of partial and separate data. In addition, available data is only used to a limited extent in policy evaluation or public debate.

However, data on excluded localities provide only a very limited, sectoral fragmented and static information on sub-aspects of social exclusion, thus preventing a comprehensive, fact-based view of social inclusion and a knowledge base that is a prerequisite for developing successful social inclusion and territorial development policies. In order to change this situation, it is necessary to clarify the competences in relation to data collection across public administration, the mechanism of interdepartmental coordination of data collection and evaluation, as well as their systemic use for analytical activities and consequently to better target public policies.

4.3 Education

The indicator of the number of early school leavers in 2006–2014 was (except for one fluctuation in 2008) below or at the national target for 2020 (5.5%). In recent years, the indicator has deteriorated significantly, in 2015 the value exceeded 6% and in 2017 it reached 6.7%.

The change is often attributed to the introduction of the State *maturita*, whose impact can be traced back to data from 2012, after which an increase in early school leaving increased by about 0.5 pp. The values identified after 2015 confirm that this increase is not only a transient phenomenon, although it is still necessary to wait for the results for the next years, considering the possibility of the re-taking of the *maturita* exam in the next five years, or completion of education in a simpler study programme.

The issue of early school leaving has a different trend in the Czech Republic than in the vast majority of EU countries. In these countries, the rate of early school leaving is declining or stagnating, while in the Czech Republic it has been steadily increasing in recent years. In addition, this trend, which has a

⁷⁸ Of these, about 6,000 people under 18 and 60,000 over 65. Available at: <https://mapaexekuci.cz>

⁷⁹ According to the CZSO press release of 10 April 2018. Available at: <http://www.czso.cz/csu/czso/prijmova-chudoba-ohrozuje-91-cechu>

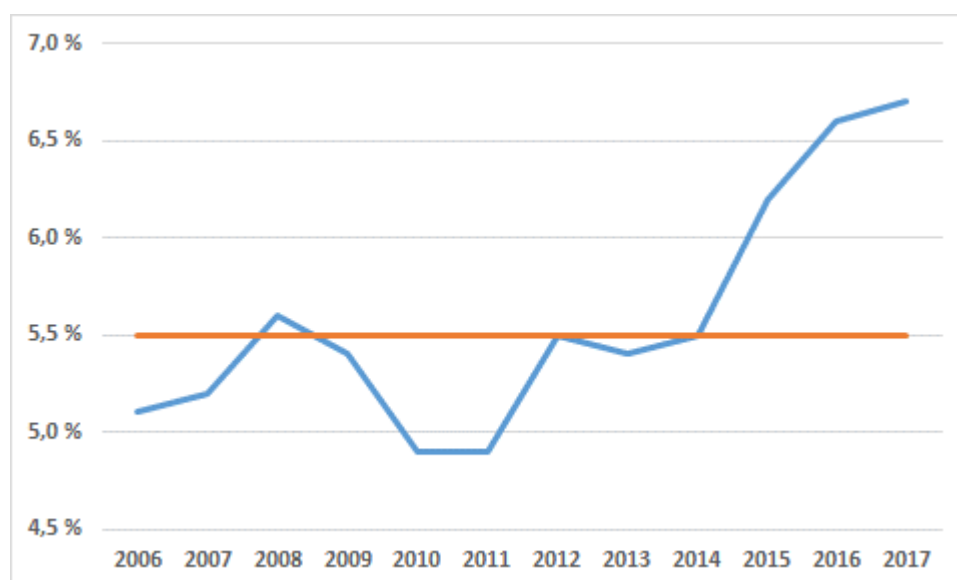
⁸⁰ The number of persons in execution has increased by 3.4% in the last year; the situation has deteriorated in 12 out of 14 regions. Available at: <http://mapaexekuci.cz>

clearly negative economic impact for all, is highly regionally specific: Ústí nad Labem and Karlovy Vary regions reach 14.5%, while Vysočina and the South Moravian Regions, for example, have the early school-leaving rate of less than 3%.

An important phenomenon is leaving compulsory schooling earlier than in the 9th grade of primary schools. Failure at elementary schools has a major impact on the aspirations of pupils who either do not continue their education after completing compulsory schooling or drop out of secondary education early.

Improvement of the situation can be brought about by the implementation of combined educational programmes, which, in addition to the *maturita* exam, would also enable students to obtain a vocational certificate, which would mean obtaining a qualification even if they fail the *maturita* examination. Another way may be to use the NRQ. As part of career guidance services, the school would help an unsuccessful pupil to build a portfolio of his/her professional skills and offer him/her the appropriate professional qualifications exam in cooperation with the LO.

Chart 4: Development of the share of persons aged 18–24 who have attained no more than basic education and are not in education, 2006–2017 (%)

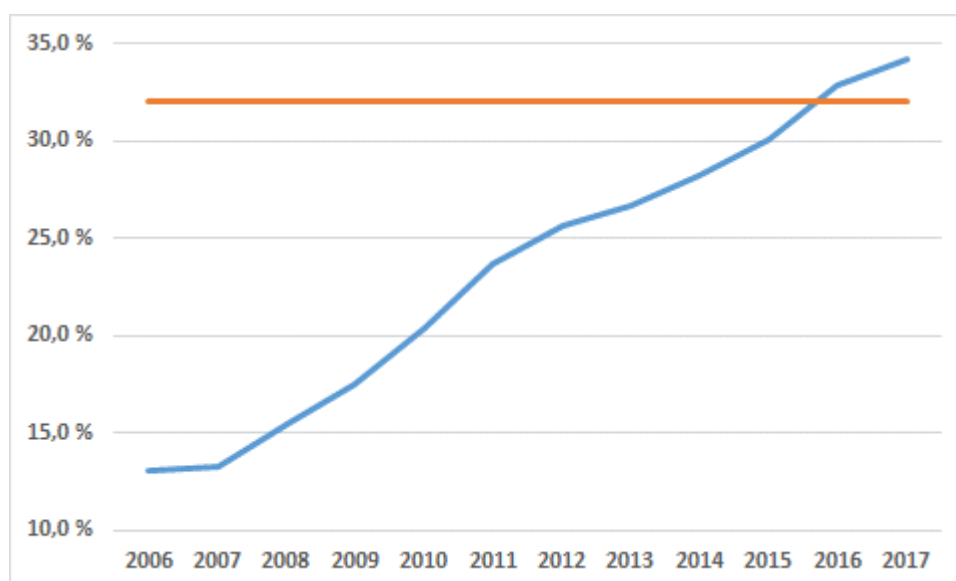


Source: Eurostat, Labour Force Survey

The development of the indicator of the share of the population aged 30–34 with tertiary education shows that the national target was reached in 2016, the value in 2017 confirms a further increase (34.2%). By 2020, it is realistic to assume that the value of the share will continue to grow, as the average age of first graduation in the tertiary system in the Czech Republic is below 25 years, so graduates who will usually be 30–34 in 2020 have already passed tertiary education.

Expansion of the higher education system in the Czech Republic after 2000 made higher education more accessible for a significant part of the young population. Available data suggest that over 50% of people from generations born after 1989 will enter the tertiary system; the Czech tertiary system thus changed from mass to universal in the first decade of this millennium.

Chart 5: Development of the share of people aged 30–34 who attained tertiary education in 2006–2017



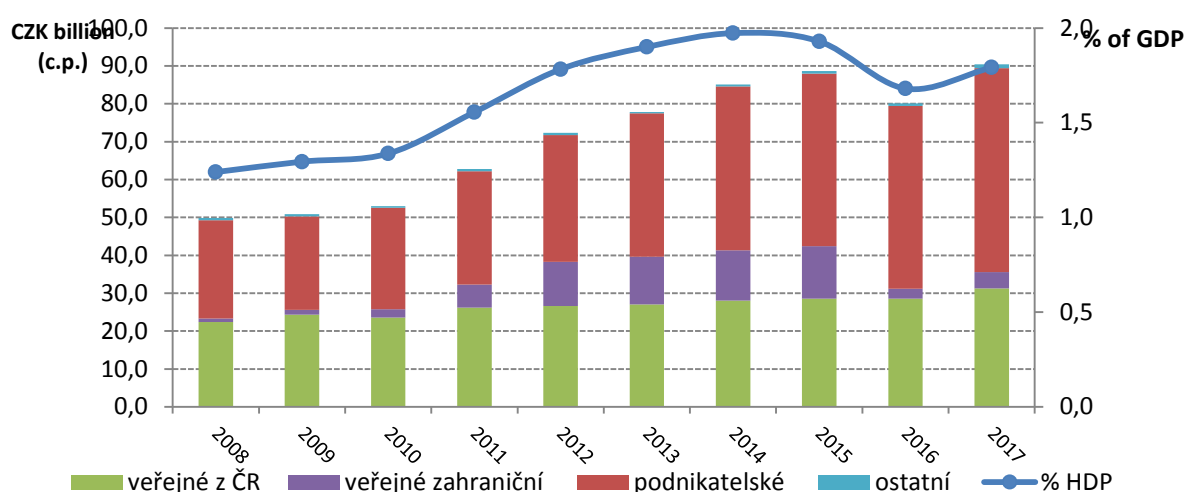
Source: Eurostat, Labour Force Survey

4.4 Research, development and innovation

Total R&D expenditures in the Czech Republic show long-term growth on average over the 10-year horizon 2008–2017 (see Chart 6) and the total amount of total expenditure exceeded CZK 90 billion for the first time. The long-term growth of total R&D expenditures in the Czech Republic in the period under review was mainly due to the steady growth of business resources (the average growth rate was 8.45%); business resources have been growing since 2010, amounting to CZK 53.8 billion in 2017. Another component of total expenditure, which contributed to the long-term growth of total R&D expenditure, is national public resources. Although these expenditures showed a lower but relatively stable growth rate (the average growth rate was 3.79%), in 2017 they exceeded CZK 30 billion for the first time and their absolute value was CZK 31.2 billion.

Another and no less important component of total R&D expenditures are foreign public resources, whose growth started to be more significant in 2011, in connection with the drawing of EU funds in the 2007–2013 programming period, with culmination in 2014 and 2015. The year-on-year decline in total R&D expenditures in 2016 was caused by a significant decrease in foreign public resources, which dropped to CZK 2.7 billion (down CZK 11.2 billion), i.e. approximately to the 2010 level, which is related to the transition to the new ESIF programming period. In 2017, we can see a gradual increase in public foreign resources to CZK 4.3 billion.

Chart 6: Total R&D expenditure (GERD) in the Czech Republic in 2008–2017 by financing sources (in current prices)



Source: CZSO, Annual questionnaire on research and development

Note: Columns: the green – public expenditure from the Czech Republic; the purple – public expenditure from abroad; the red – business expenditure; the blue – other sources. The blue line – percentage of GDP.

4.5 Climate and energy policy

Renewable energy sources and energy efficiency

The Czech Republic continues to implement the *State Energy Policy* of May 2015, which promotes the achievement of targets in renewable energy sources (RES) and energy efficiency, which aim at achieving their share of electricity generation at least 18%.

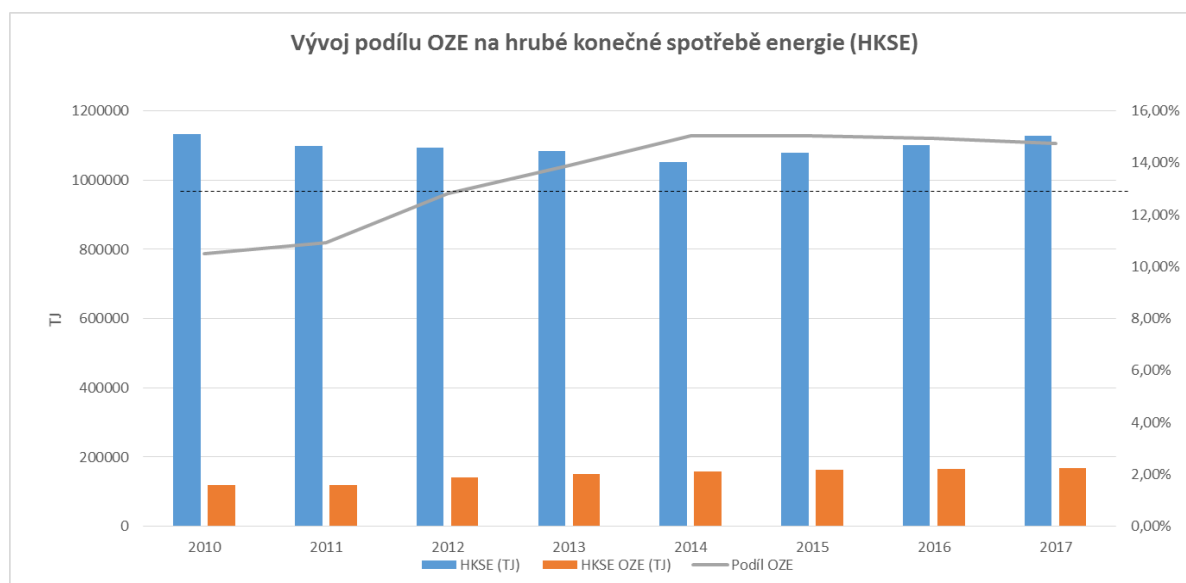
The long-term stable and sustainable conditions for the support of renewable energy production are set through the *National Action Plan of the Czech Republic for RES*, which was approved in January 2016. It implies achieving a 15.3% share of renewable energy in gross final energy consumption in 2020. This sub-target for 2017 at 13.6% can be described as exceeded – according to MIT data (preliminary final value according to Eurostat – SHARES methodology), the share of RES in gross final energy consumption in 2017 reached 14.76%.

The National Action Plan also foresees a 10% share of renewable energy in gross final consumption in transport in 2020. The share of RES in the transport sector was 6.58% in 2017 (6.57% compared to the sub-target). Given the current legislative uncertainties about the tax advantage of high-percentage and clean biofuels in the transport sector (in addition to reducing the share of RES from gross final consumption in transport from 10.8% to 10% in 2020), there are changes in this update in this area, since achieving the prescribed target with tax support for these biofuels will require completely different procedures than in the absence of such biofuels. Other regulatory tools are introduced in the Supported Energy Sources Act.

In August 2016, the support for electricity generation in hydroelectric power plants with an installed capacity of up to 10 MW even after 2015 and support for the production of renewable heat for plants with installed capacity up to 500 kW using biogas was notified to, and subsequently approved by, the EC). In November 2016, the EC approved the notification of support for electricity generation from RES in facilities commissioned in 2006–2012. In March 2017, the notification of support for

electricity generation in high-efficiency CHP plants, commissioned in 2016, was approved. In December 2017, the EC approved the notification of support for combined heat and power plants commissioned in 2013–2015.

Chart 7: Development of RES share in gross final energy consumption (% and TJ)



Note: Columns: the blue - gross final energy consumption (TJ, left axis); the orange - gross final energy consumption of RES ((TJ, left axis). The grey line – percentage of RES in gross final energy consumption (right axis).

Greenhouse gas emissions

The Czech Republic expects to fulfil its commitments under the *Europe 2020* strategy in the area of energy-climate goals without the need for new measures. In 2018, Regulation (EU) No 2018/842 of the European Parliament and of the Council on binding annual emission reductions by Member States from 2021 to 2030 was adopted, setting a target for the Czech Republic to reduce greenhouse gas emissions not covered by the EU ETS by 14% between 2005 and 2030. Despite a certain increase in emissions in these sectors compared to the reference year 2005, the Czech Republic should meet the target of maximum increase of these emissions by 9% between 2005 and 2020. According to current emission projections, the 2030 target should be achievable in the effective implementation of policies and measures already adopted.

The EU ETS must comply with the EU-wide target of reducing emissions by 21% by 2020 and 43% by 2030 compared to the reference year 2005. Between 2016 and 2017, there was a reduction of 555,000 tonnes CO₂eq. In the period 2005–2017, emissions of equipment in the EU ETS fell by almost 18.8%.

2018 saw the adoption of Regulation (EU) 2018/841 of the European Parliament and of the Council on the inclusion of greenhouse gas emissions and removals from land use, land use change and forestry in the 2030 climate and energy framework (LULUCF). On the basis of this regulation, in December 2018 the Czech Republic submitted to the EC the *National Forestry Accounting Plan, including the proposed forest reference level for 2021–2025*. In line with the current development of bark beetle calamity in the Czech Republic, it seems probable that the Czech Republic will have difficulty meeting the goal of net zero emissions from the LULUCF sector, which has been newly established by the Regulation.

In 2018, the Ministry of Industry and Trade, in cooperation with the Ministry of the Environment, drafted the *National Plan for Energy and Climate* in accordance with Regulation (EU) No 2018/1999

of the European Parliament and of the Council on the governance of the Energy and Climate Action Union. It is intended to serve as an integrated planning document in the energy and climate sectors and contains the main objectives, policies and measures in all five dimensions of the Energy Union. The draft plan was submitted to the EC on 31 January 2019. In the course of 2019, this document will be completed, *inter alia*, in connection with the issued EC recommendations, and its final version must be submitted by 31 December 2019.

5. European Structural and Investment Funds

5.1 Interconnection of the ESIF with the EU Country Specific Recommendations

The Country Specific Recommendations (CSR) form an important part of cohesion policy and are reflected every year in setting up calls and implementing evaluation activities. The CSR for 2014 was reflected in the *Partnership Agreement* and in the setting of individual programmes funded by the ESIF for the initial substantive setting of cohesion policy in the Czech Republic for the 2014–2020 programming period. The individual recommendations issued by the EU Council in the coming years are always compared with the substantive targeting of the *Partnership Agreement* and the (operational) programmes. Up to now, there have been no discrepancies with the CSR that can be fulfilled by ESIF instruments.

In 2018, the Czech Republic received two CSRs:

Recommendation 1:

Improve the long-term fiscal sustainability, in particular of the pension system. Address weaknesses in public procurement practices, notably by enabling more quality-based competition and by implementing anti-corruption measures.

Recommendation 2:

Reduce the administrative burden on investment, including by speeding up permit procedures for infrastructure work. Remove the bottlenecks hampering research, development and innovation, in particular by increasing the innovation capacity of domestic firms. Strengthen the capacity of the education system to deliver quality inclusive education, including by promoting the teaching profession. Foster the employment of women, the low-skilled and disabled people, including by improving the effectiveness of active labour market policies.

In order to fulfil the first recommendation, it is possible to contribute to *addressing weaknesses in public procurement practices* by supporting OP E projects (PA 4 – Effective public administration).

Contributing through ESIF fulfils virtually all components of the second recommendation. In particular, IROP (PA 3 - Good Territorial governance and streamlining of public institutions) offers support for *reducing the administrative burden on investment*. Preparatory work has also been launched on the draft OP EIC call (PA 4 – Development of high-speed internet access and information and communication technologies) to support digital technical maps that will help to remove obstacles to infrastructure construction. In addition, demand-side measures are being prepared to stimulate the use of high-speed internet access services. Possible scenarios are currently being evaluated.

In particular, the OP RDE (PA 1 – Strengthening of capacities for quality research) and also OP EIC (PA 1 – Development of research and development for innovation) contribute significantly towards the recommendation to *remove the bottlenecks hampering research, development and innovation*. The OP RDE (PA 3 – Equal access to quality pre-school, primary and secondary education) is targeted towards *strengthening the capacity of the education system to deliver quality inclusive education*. The recommendation to *foster the employment of women, the low-skilled and disabled people* has long been targeted by OP E (PA 1 – Support for employment and adaptability of the workforce).

In the last two years, the Czech economy has been showing a significant improvement in most problem areas and this progress is also predicted for the coming years. The Czech Republic is richer and will therefore receive less funds from the EU budget for cohesion policy in the next programming period 2021–2027. The proposed allocation from ERDF, Cohesion Fund, ESF+ and European Maritime and Fisheries Fund for the Czech Republic for the period of 2021+ is EUR 20.1 billion (current prices).

Five policy objectives have been identified in the proposal for cohesion policy regulation to ensure maximum efficiency in the use of EU funds:

- a smarter Europe by promoting innovative and smart economic transformation;
- a greener, low carbon Europe;
- a more connected Europe by enhancing mobility and regional ICT connectivity;
- a more social Europe implementing the European Pillar of Social Rights; and
- Europe closer to citizens by fostering the sustainable and integrated development of urban, rural and coastal areas and local initiatives.

For the future drawing of EU funds, the Czech Republic prepared the *National Strategy for Cohesion Policy Implementation* (NSI), which defines the objectives and priorities of the Czech Republic for the programming period 2021–2027.⁸¹ The priorities of the Government of the Czech Republic largely correspond to the priorities stated by the EC⁸²; any differences will be discussed between the Czech Republic and the EC.

This year's *Report on the Czech Republic* also includes, as an annex, a list of investment recommendations for areas where the EC sees the biggest weaknesses of the Member State and where it would be desirable to target EU fund interventions. This annex represents the EC's entry position for the negotiations on the new *Partnership Agreement*. It will be followed by the EC's proposal of this year's CSRs. According to the draft General Regulation (which is still in the negotiation phase and is not yet finalized), the 2019 CSRs will be compulsorily reflected in the proposals of the operational programmes for the programming period 2021–2027.

The Government essentially agrees with the identification of bottlenecks, investment needs and investment recommendations set out in the Annex D to the *Report on the Czech Republic* and is prepared to take them into account both in the *Partnership Agreement* and in the relevant operational programmes. However, it only considers them as guidelines for carrying out economic reforms at national level, where it is possible and appropriate to involve EU funds in their implementation.

Although the priorities defined by the EC are in line with the investment needs specified by the Czech Republic, the Government has also identified other areas of investment (e.g. public administration) and specific investment needs of regions (e.g. health infrastructure, the entire social sector, including integration-focused social housing), which could contribute to economic, social and regional development if EU funds are involved. The Czech Republic also supports a Europe-wide debate on linking the European Semester and implementing the 2030 Development Agenda.

In general, linking cohesion policy and the European Semester should only be complementary to the existing macroeconomic conditionality system. Removing disparities in the EU and emphasizing the development of less developed regions and EU Member States should remain the main objective of cohesion policy. Cohesion policy is intrinsically linked to the functioning of the internal market and, in the case of the Czech Republic, is a key investment instrument. This close link between cohesion policy and the internal market must be maintained.

⁸¹ The list does not include the OP Fisheries (to be addressed by a separate document of the Ministry of Agriculture).

⁸² See above in chapter 3.4.1 *Investment policy*.

5.2 Interconnection of ESIF with national targets under Europe 2020

Significant acceleration has taken place in 2018 in all priority axes of the programs which are linked to national targets under *Europe 2020*. The grant applications submitted were evaluated, legal acts were issued and physical and financial implementation of most projects either started or was already ongoing.

In particular, OP E, OP PGP and partly RDP contribute towards the five national employment sub-targets.

ESIF directly focus in this area on promoting employment and employability of people who have various disadvantages in the labour market, who are finding it difficult to find employment despite the current positive developments. It was precisely the positive situation on the labour market in 2018 that enabled projects to more intensively target disadvantaged people.

Various instruments have already been used to support people from disadvantaged groups, such as those under 25, those over 55, and those with no more than basic education. More than half of these people have already received a certificate of the completed training program. The projects are mainly implemented by LOs, but also other institutions, e.g. NGOs. Another important priority is also promoting women's employment by encouraging the development of childcare services.

In the area of employment, permanent attention is paid to people at risk of poverty, also thanks to interventions provided mainly from OP E, IROP and OP PGP.

At the same time, through calls under OP E, IROP, OP PGP and partly also RDP, the ESIF finances projects focused on risk groups at risk of social exclusion and poverty. It concerns the provision of low-threshold, field and outpatient services and their interconnection with other services, especially in the areas of employment, health care and housing. Another type of project that allows the inclusion of people at risk of poverty is the promotion of social enterprises.

Partial targets in the area of education are gradually being met, especially with the support of OP RDE. In addition to OP RDE, measures to reduce the number of early school leavers are supported by IROP and OP PGP. These include, in particular, coordination activities linking schools, social and family services. Activities also aim to increase the participation rate of children from socio-economically disadvantaged and culturally different backgrounds in pre-school education and subsequently also to prevent school failures of primary and secondary school pupils, which often lead to early school leaving.

According to the latest available CZSO data, total expenditures on science, research, development and innovation in 2017 increased to CZK 90,386 million (1.79% of GDP). Of these, public expenditures amounted to CZK 35,540 million, with ESIF accounting for 12%. Following a steady increase in RDI spending between 2008 and 2015 and a subsequent decline in 2016 due to low EU subsidies, ESIF spending increased again in 2017. However, private sector and domestic public spending also increased significantly. Thus, in many cases, ESIFs stimulate private investment and act as an accelerator of research and innovation activities.

In the area of climate and energy policy, support is provided by national programmes and ESIFs (especially OP EIC, OP E, OP T, IROP and RDP).

The Czech Republic has set an emission commitment for sectors outside the EU ETS. The ESIFs support the reduction of greenhouse gas emissions, especially through OP E projects to improve the energy efficiency of public buildings and IROP projects to increase the use of RES and to improve energy efficiency in the housing sector.

Concerning RES, the planned target for RES share in final energy consumption has been exceeded and it is realistic to achieve the strategic target for the Czech Republic in 2020. In the past, energy from

renewable energy sources was generated more from private sources; currently, support from ESIF (OP EIC, OP E, IROP) is being used. RES energy contributes to electricity consumption also in transport, and these activities are partly supported by the ESIFs.

About 1/3 of the Czech Republic's total commitment to new energy savings in 2020 should be achieved through the ESIFs. The OP EIC (savings in enterprises) accounts for 2/3 of the ESIF contribution; the rest is almost equally divided between the OP E (savings in public buildings) and IROP (savings in residential buildings); OP PGP contributes a small part (savings in buildings and transport facilities of the City of Prague). Energy efficiency activities are also supported from national sources (*NGS, EFEKT, NPE*, etc.). Overall, the Czech Republic's energy saving targets are not being met and optimization measures are being taken to improve the situation.